The trade race
The fight to head the WTO.
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French connection
Multimedia comes to Minitel
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Europe's opera terror
Why Peter Jonas is shocking Munich
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FINANCIAL TIMES

Europe's Business Newspaper MONDAY JULY 4 1994 D8523A

French troops under fire from rebels in Rwanda

French marine commandos came under fire from Rwanda Patriotic Front fighters for the first time yesterday as they evacuated nuns and orphans from Butare. The besieged town is at a strategically important junction, and the brief exchange of fire underscores the difficulty of the French mandate to protect civilians while not intervening in the conflict. Page 4

United Friendly, UK life and general insurance company, has started legal action over its purchase from American Express of Acuma, the UK pension financial consulting and life insurance company. United wants an independent expert appointed to rule how much it should pay for Acuma. Page 18

Jett blames smear campaign: Joseph Jett, sacked from Kidder Peabody in April after allegedly mounting a $350m trading scam, hit back at his former employer and its parent, General Electric. "They depicted me as being an urban black criminal," Mr Jett says. Page 17

Sampras victorious: Number one seed Pete Sampras of the US (left) beat Croatia's Goran Ivanisevic in straight sets to take his second consecutive Wimbledon singles title. The final score was 7–6, 7–6, 6–0, with a £345,000 prize for the champion and £172,000 for Ivanisevic.

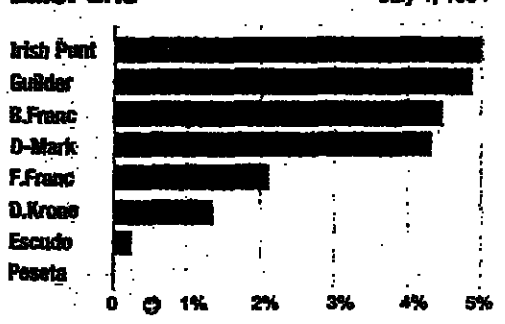
German telecoms sell-off closer: Management and unions at Germany's post and telecoms service agreed a pay and benefits package at the weekend, clearing the last hurdle to privatisation. The service, which employs 670,000 people, will be turned into three companies. Page 16

Votes to be made public: The Council of Ministers, where European Union member states decide laws in secret, is for the first time to compile a central, public record of how ministers vote. The policy change comes after pressure for such information from the Financial Times. Page 16

Kurds turn on police: Militant Kurds attacked police stations across Germany in apparently co-ordinated retaliation for the killing of a Turkish Kurd teenager by a policeman last week.

European Monetary System: The week featured further weakness of the US dollar, which bolstered safe haven currencies like the D-Mark and the Swiss franc. There was no change in the order of currencies in the EMS grid. The spread between the strongest and weakest currencies was marginally narrower at 4.90 per cent. Currencies, Page 27

EMS: Grid July 1, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Cambodian coup attempt: Former Cambodian interior minister Gen Sin Song was arrested and former deputy premier Prince Norodom Chakrapong flown out of the country after an alleged overnight coup attempt. Page 4

Nigerian protest strike: Nigerian oil workers said they would go ahead with a strike today to demand the release of Moshood Abiola, undeclared winner of last June's presidential poll, which was scrapped.

No sign of missing children: English detectives were still hunting the abductor of a newborn baby girl taken from a Midlands hospital on Friday. Meanwhile hopes were fading of finding Rosie Palmer, three, who disappeared on Thursday after buying an ice lolly near her home in northeast England.

Eurotunnel seems unlikely to find out about the alleged downward manipulation of its share price before the pricing of its £858m ($1.32bn) rights issue because of French secrecy laws. Page 17

Colombians mourn murdered footballer: Tens of thousands of mourners filed past the coffin of soccer player Andres Escobar, who was murdered for scoring an own goal in the World Cup. President Cesar Gaviria and Colombia's World Cup players planned to attend the funeral.

Goddess loses arm: Madrid's landmark statue, the goddess Cibiles, lost an arm during drunken celebrations after Spain's World Cup victory over Switzerland. World Cup, Page 6

French Grand Prix went to Germany's Michael Schumacher in a Benetton-Ford. Briton Nigel Mansell, returning to Formula One racing, dropped out after 46 laps. Damon Hill of Britain was more than 12 seconds behind the winner.

Austria	Sch32	Greece	Dr250	Lux	LFr65	Qatar	QR13.00		
Bahrain	Dm1.250	Hong Kong	HK$16	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft186	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lev25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	¥500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000	UAE	Dh12.00

Berlusconi risks Bank of Italy row

Italian government determination to control key staff appointments raises threat to central bank autonomy

By Robert Graham in Rome

The Italian government has signalled its determination to control key appointments at the Bank of Italy, bringing into the open a long-simmering debate over the bank's independence.

The government's position was made public after the central bank's higher council, the body formally responsible for making the top appointments, failed to reach agreement last Thursday on a successor to Mr Lamberto Dini, who stepped down as director general in May to become treasury minister.

The tough line adopted by Mr Silvio Berlusconi, the prime minister, risks another institutional confrontation similar to that which occured last week over the right to hire and fire the board of the RAI, the state broadcasting corporation.

Mr Berlusconi, owner of the main commercial television channels, achieved his objective at the RAI after a bruising battle with President Oscar Luigi Scalfaro.

Until now the battle over the succession to Mr Dini in the number two position at the Bank of Italy has been fought behind closed doors. But on Friday the prime minister's office put out a statement asserting the government's right to control appointments to the central bank's four-person directorate.

The statement said: "The Bank's autonomy cannot be confused with the power to make nominations for senior positions – a power which in all industrialised countries (including those central banks regarded as having the maximum of autonomy like the German Bundesbank and the US Federal Reserve) is vested in the executive."

According to a mix of law and tradition, after any directorate appointment is made by the 13-strong higher council – composed of the bank's regional office chairmen – it must be confirmed by the head of state in conjunction with the prime minister and the treasury minister. The government can thus claim to be acting within the margins of its authority.

Although the Bank of Italy has declined to enter the controversy in public, its officials are concerned that the Dini succession will be equated with that of the RAI. In particular, Mr Tommaso Padoa Schioppa, the deputy director general who is technically in line for the job, has been portrayed by both the populist Northern League and by the neo-fascist MSI as an unacceptable left-wing economist. Within the bank and among his European colleagues he is regarded as one of the best technicians on monetary issues. The problem of the succession has been caused in part by the way in which Mr Dini was deliberately passed over for the governorship in May last year when Mr Carlo Azeglio Ciampi moved to become prime minister. The job went to Mr Antonio Fazio, the deputy director general.

Mr Dini and his supporters have made it known they do not wish to see Mr Padoa-Schioppa as the number two and would prefer an outsider like Mr Rainer Masera, a liberal economist and current head of IMI, the state-controlled finance group.

The Bank of Italy is fiercely resisting the imposition of an outsider. The latest compromise suggested is that Mr Vincenzo Desario, the current second deputy director general, assume the number two slot.

Israeli demonstrators fight police ■ Backing for PLO leader's homecoming

Arafat joins Rabin to defend peace accord

By Julian Ozanne in Jerusalem

Mr Yassir Arafat, Palestinian leader, and Mr Yitzhak Rabin, Israeli prime minister, united yesterday in strongly defending their peace agreement against its opponents on both sides of the Arab-Israeli divide.

Mr Arafat, on the third day of his triumphant homecoming to the Gaza Strip, warned people not to heed opponents of the Palestinian-Israeli peace accord.

"Peace has many enemies and there are many attempts to sabotage and destroy the peace of the brave," he said. "This is why we are all requested to defend this peace because this peace is for all of us – Israelis and Palestinians."

Mr Rabin echoed the PLO chairman's remarks and attacked rightwing demonstrators protesting against Mr Arafat's landmark visit to Gaza. He said he supported the Palestinian leader's homecoming and promised to strengthen the peace with Palestinians.

"The process will continue," Mr Rabin said in a hard-hitting speech to members of his ruling Labour party after hundreds of Israeli protesters clashed with police in Jerusalem in a third day of rightwing demonstrations against the PLO leader's visit. "We have an interest in strengthening the elements among the Palestinians who want the accord," said Mr Rabin.

The joint defence of the peace process came as Mr Arafat plunged into the job of running the shattered Gaza Strip, forging ties with his impoverished people and pledging to expand Palestinian self-rule quickly from Gaza-Jericho across the rest of the West Bank.

In Gaza City Mr Arafat sought to demonstrate his concern about the deep economic troubles facing the 850,000 mostly jobless residents of the strip, inaugurating a citrus juice factory funded by foreign aid.

Mr Arafat made the visit after criticising international donors for the delay in releasing millions of dollars of promised assistance and described the situation in Gaza as close to "starvation".

The veteran guerrilla turned peacemaker, who returned last Friday after 27 years in exile, also said he wanted Israel to pull its forces out of Palestinian towns in the West Bank by August.

Mr Riyad al-Zaanoun, Palestinian health minister, said Mr Arafat, who is to meet Mr Rabin in Paris on Wednesday, will press for a speeding up of the next phase of the PLO-Israeli peace agreement: the extension of Palestinian self-rule to the rest of the west Bank.

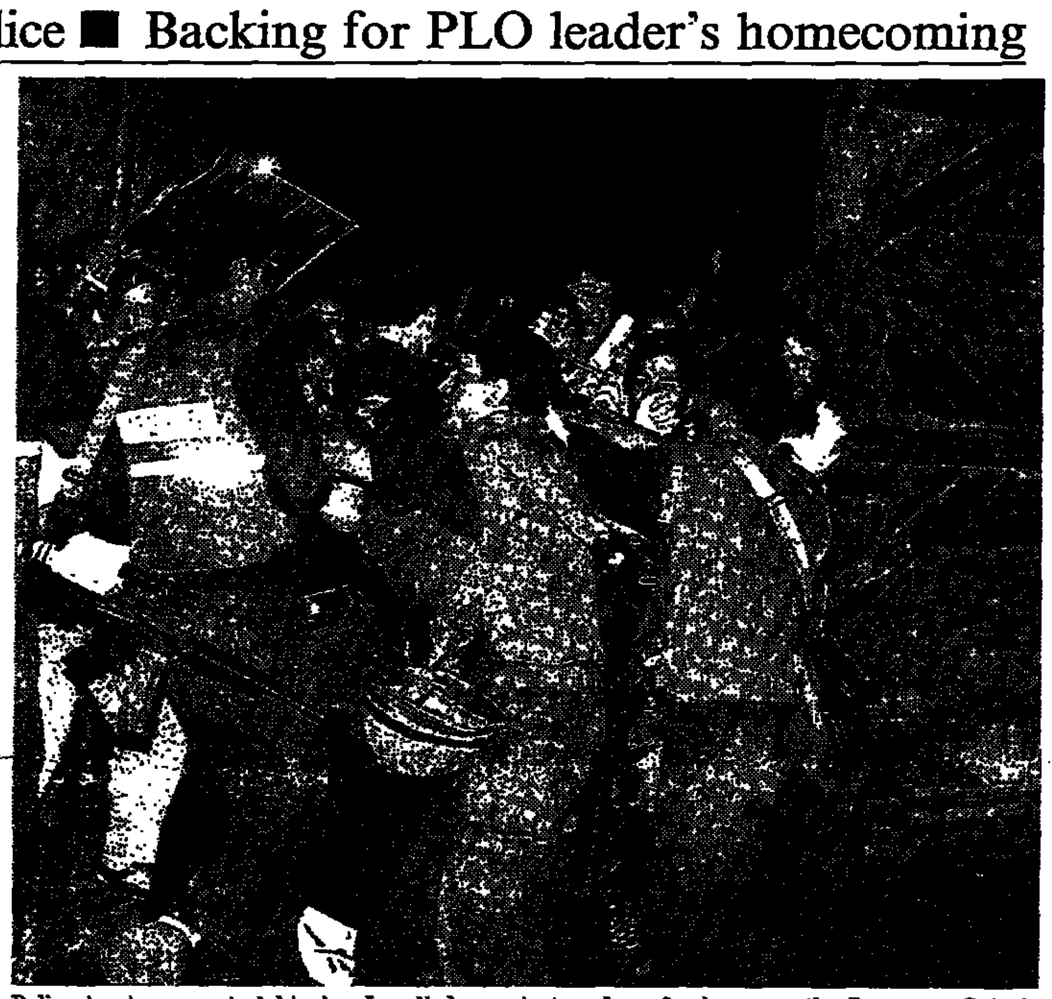
Under the agreement, Israeli forces must redeploy out of Palestinian population centres in the west Bank three months after the start of self-rule in Gaza-Jericho and before the holding of Palestinian elections now expected on October 15.

The PLO also said Mr Arafat would visit Jericho to swear in his 24-member national authority or "cabinet" and meet residents of the west Bank tomorrow, a day later than planned.

Officials said Mr Arafat had delayed the Jericho visit to spend more time in Gaza and make security preparations in the light of planned Israeli demonstrations intended to disrupt his trip to the capital of the Palestinian self-rule area.

At a tent pitched opposite Mr Rabin's office, demonstrators blew whistles, banged on cooking pots and shouted anti-govern-

Continued on Page 16
Observer, Page 15



Police try to prevent right-wing Israeli demonstrators from forcing open the Damascus Gate to Jerusalem's Moslem quarter during a protest against peace efforts by Israel and the PLO AP

The City calls for economic strategy

By John Willman, Public Policy Editor

The Corporation of London, the City's local authority, has commissioned consultants to draw up the first economic development strategy for the capital's financial district.

The aim is to identify opportunities for attracting new businesses to the City while maintaining its position as one of the world's three leading financial centres.

The Square Mile faces growing competition from other European cities such as Paris and Frankfurt, as well as UK cities that have economic development organisations working to attract new businesses.

Corporation leaders believe there is a danger that the City may become over-dependent on financial services, where the markets are mature and scope for further growth is restricted.

The strategy will be formulated by consultants from Coopers & Lybrand, the accountants, which won the contract against competition from six other bidders.

It is expected to be completed by the autumn, providing a candid assessment of the City's shortcomings as a place to do business. Among potential

Continued on Page 16

Brussels move to exempt Ireland from debt rules

By Peter Norman, Economics Editor

The European Commission has proposed to exempt Ireland from the tough rules of the Maastricht Treaty on government debt, offering hope to other debt-laden member states such as Belgium and Italy that they may receive similar leniency.

The Commission's move, at a meeting last week of the EU's secretive monetary committee, might turn out to be a test of Commission powers under the Maastricht Treaty. If it succeeds, the Commission might create a precedent making it easier for countries with bigger debt problems eventually to become full members of Europe's planned economic and monetary union.

Commission representatives surprised senior finance ministry and central bank officials representing EU governments by proposing to exempt Ireland from the "excessive deficit" rules of Maastricht even though Ireland's debt as a percentage of gross domestic product is well above the treaty's guidelines.

Although it is unlikely that Emu will be achieved by 1997 or 1999, the two dates named in the treaty, member states are already preparing for the advent of the single currency and European central bank.

As part of the preparatory second stage of Emu, which began in January, EU countries have started working with the procedure laid down in the Treaty to control, and if possible reduce, their large fiscal deficits.

At present, only Luxembourg meets the two Maastricht Treaty deficit criteria of having an annual budget deficit of less than 3 per cent of gross domestic product and an overall debt of less than 60 per cent of gross domestic product.

But at a meeting of the monetary committee last Tuesday, Mr Giovanni Ravasio, the Commission representative, said it planned not to submit a report to the EU council of ministers naming Ireland as an excessive deficit country. If the commission sticks to its plan, it will mean that ministers in the council will have no basis for deciding whether Ireland should be treated as having an excessive deficit. Ireland could therefore be considered as having the right economic qualifications for Emu.

Ireland has made strenuous efforts to bring its deficits under control, pushing its annual budget deficits below 2.5 per cent of GDP in recent years. But its stock of debt, at around 90 per cent of GDP, has proved less easy to cut.

Germany and some other EU member countries fear that any softening of the criteria for Ireland could open the door to Emu for other countries with bigger economic problems. For example, Belgium, with a debt-to-GDP ratio of more than 120 per cent and a forecast budget deficit of 5.4 per cent of GDP this year, wants to be a founder member of Emu even though economists believe it has little chance of reducing its debt-to-GDP ratio to the Maastricht level this century.

It is unclear whether Mr Ravasio was acting with the full backing of the Commission when he said that it would not submit a report on Ireland. It is understood that the Commission still has to discuss the excessive-deficit procedure and its approach to the various member states.

If the Commission stands by Mr Ravasio, it is likely that governments will want to re-interpret the treaty so that ministers can discuss cases such as Ireland.

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Skandia to boycott Swedish state bonds

By Hugh Carnegy in Stockholm

Concern about Sweden's shaky public finances yesterday rose as Skandia, one of the country's top two insurance groups, said it had stopped buying government bonds in protest at the continuing rise in state debt.

The announcement by Mr Björn Wolrath, Skandia's chief executive, jolted Stockholm's financial markets, already in bearish mood. Five-year bond yields moved up sharply to almost 10 per cent, the Swedish krona fell against leading currencies and the Stockholm stock exchange fell 2 per cent.

"Skandia will not buy Swedish [state] bonds until such time as the politicians, in a credible way, begin to take seriously the accelerating state debt," Mr Wolrath said. "I really do not feel that I have a mandate from [Skandia's] owners to go in and buy Swedish bonds, considering the big risk that implies today."

Sweden has the fastest growing debt among Organisation for Economic Co-operation and Development member countries – fuelled by a budget deficit that reached 13 per cent of gross national product last year. State debt stood at SKr1,132bn (£95.9m), or about 80 per cent of GNP, at the end of 1993, and is still rising, despite a return to economic growth this year.

The Skandia group holds about SKr50bn in state bonds, about one third of those held by the insurance sector, which in turn held almost 12 per cent of state debt at the end of last year. Executives said Skandia would sell some of its portfolio.

Senior officials at the Finance Ministry said they did not expect any short-term problems for the government in meeting its financing needs as a result of Skandia's move. Two rival insurance groups, Trygg Hansa and Folksam, said they would continue to trade in government bonds.

But the Skandia boycott coincided with new figures showing foreign investors were net sellers of Swedish bonds to the tune of SKr10.6bn in May. Stockholm County Council also said it was withdrawing from the market.

Mr Carl Bildt, premier, quickly issued a statement which came close to endorsing Skandia's move. He sought to shift the onus on to the Social Democrats, whose loyalty to the huge welfare state has raised market fears that they will duck necessary cuts in the public sector.

Last night, Mr Goran Persson, the economic spokesman for the Social Democrats, called for a special session of parliament's finance committee to discuss the issue.

Curbs imposed on Bosporus traffic despite protests

Turks defy Russia on shipping

By John Murray Brown in Istanbul

Turkey was yesterday set on a possible collision course with Russia, after unilaterally imposing new shipping regulations for the Bosporus and Dardanelles.

Russia and other Black Sea states claim the rules are in breach of international treaties. Russia, Greece, Cyprus, Ukraine, Romania and Bulgaria have all publicly protested.

Under the new rules ships must forewarn Turkish port authorities of their cargo and vessels more than 150 metres long must seek permission to go through the straits that divide Europe and Asia.

The straits are a vital trade route for Russia and newly independent Black Sea states.

However, Turkey has mounted a diplomatic campaign to win international support for the measures on safety grounds. It fears the projected increase in tanker traffic, as central Asian oil finds come on stream, will be an environmental and navigational threat, a point underscored by a collision in March in which more than 20 people died.

Congestion is likely to increase after the opening of the Danube-Main canal system linking the Black Sea to the Baltic.

According to minutes from a meeting in May of the International Maritime Organisation, the London-based United Nations body that handles maritime disputes, Russia and other states argued that the Turkish proposals contravened the 1936 Montreux Convention, which guarantees unhindered passage for merchant vessels in peacetime.

The IMO said yesterday Turkey's regulations were national laws and had no international application.

Western diplomats are waiting to see if the Turks apply them to foreign-flagged vessels. Both Russia and Greece want Turkey to support international action within the IMO to deal with safety concerns. In May, the IMO's maritime safety committee recommended more modest changes, including introduction of traffic separation lanes and a requirement that ships over 200 metres long go through the straits during daylight. Both measures take effect in November.

Shipping experts say the long-term worry is that if left unchallenged, Turkey's action may set a legal precedent and provide Ankara with discretionary powers to impede shipping.

Greek officials confirm that in April a Greek-registered tanker, the Olympic Armour, was prevented from going through the straits because it was too long.

Turkey clearly also has a commercial motivation. It is keen to see western oil companies in central Asia use a proposed Turkish pipeline to the Mediterranean.

The new rules, if implemented, could result in costly delays in shipping oil through the straits, currently the main route for Russian and central Asian oil exports, and persuade oil concerns to look more favourably on Turkey's proposal.

Diplomats say the disagreement underscores wider differences with Russia over regional policy. Turkey is at loggerheads with Moscow on a range of issues from Russian peacekeepers in the Caucasus and central Asia, to Moscow's diplomatic role in former Yugoslavia.

But the danger is that Turkey, in pursuing commercial gains, is hampering efforts to deepen trade ties with the region under the auspices of the Black Sea Economic Co-operation (BSEC) organisation, in which Ankara has been the driving force. High-level discussions – including a Turkish-Russian meeting on Thursday at the BSEC foreign ministers' conference in the Georgian capital, Tbilisi – have provided no breakthrough.

West Germany's production falls

By Quentin Peel in Bonn

Industrial production in west Germany fell by a provisionally estimated 0.7 per cent in May, tempering hopes of a rapid economic recovery, and confirming expectations of a new slowdown in consumer spending.

The figure published by the federal statistics office coincided with a recalculation of April's industrial production growth, reducing the initial estimate of a 2.5 per cent increase to just 1.3 per cent.

The May figure was the first monthly drop this year, and the underlying trend remains clearly positive. However it follows a sharp fall in retail sales in April – down a real 6 per cent – as the combined effects of tax rises and wage restraint have squeezed disposable incomes.

The sharpest drop in output in May was for consumer goods, down 2.8 per cent, and capital goods, down 1.9 per cent. Overall manufacturing production was down 0.8 per cent.

Analysts described yesterday's figures as "slightly disappointing", but most doubt they will have any effect on the Bundesbank's monetary policy.

There was some suggestion yesterday that the markets might still speculate on a possible cut at the central bank council meeting next Thursday, because of the coincidence of the G7 meeting in Naples, and the confirmation of an apparent slowdown in the pace of recovery.

Moreover, the bank could be influenced by fears that the strengthening D-Mark might undermine the classic export-led recovery still under way.

Mr Hans Tietmeyer, the Bundesbank president, said this week that a "significant" move in interest rates at this time would not be "appropriate".

New German President Roman Herzog (left) takes the oath of office during his inauguration yesterday in Berlin's Reichstag building. He used his inaugural address to urge tolerance and greater civil courage in the population to resist violence against foreigners, and defend their democratic tradition. AP

D'Alema chosen to lead Italy's ex-communists

By Robert Graham in Rome

Italy's former communist Party of the Democratic Left (PDS) yesterday elected Mr Massimo D'Alema, to succeed Mr Achille Occhetto as leader.

Mr D'Alema has been the party's number two and heir apparent. But Mr Occhetto himself and a large section of the grass-roots in the PDS favoured Mr Walter Veltroni, his rival, who edits L'Unita, the party daily.

The PDS is the largest parliamentary party. It is the acknowledged leader and organisational force for the five main groupings that form the left-wing opposition.

But Mr D'Alema now faces a difficult task in rejuvenating the party and making it appeal to a broader section of the electorate. He is highly regarded as an astute political operator and a good diplomat. However, his detractors regard him as formed too much in the old school of the Italian Communist party (PCI) with its doctrinaire approach to issues and blind faith in organisation.

Mr D'Alema began his political life in the PCI's youth wing in 1963, working his way up through editorship of L'Unita. Although he was the recognised heir, it was only this week that Mr Occhetto revealed the full extent of his disagreement with Mr D'Alema.

In yesterday's meeting of the party's national council, the balance narrowly swung in favour of Mr D'Alema. However, grass-roots members clearly saw Mr Veltroni, with his boyish charm and open admiration for the American way of life, as more presentable and "modern" – the Italian version of US President Bill Clinton, or Mr Tony Blair, aspiring to Britain's Labour party leadership.

The election of Mr D'Alema does not solve the broader issue of who leads the left. Critics such as Mr Massimo Cacciari, the influential mayor of Venice, argue that the left must be led by someone not directly linked to the PDS. The PDS, Mr Cacciari claims, remains to wedded to the old communist structure, and as such is an electoral liability.

Airbus to rethink test flights after fatal A330 crash

By Paul Betts, Aerospace Correspondent

The European Airbus consortium is expected to decide in two weeks when to pursue flight tests on the A330 airliner powered with US Pratt & Whitney engines, following Thursday's crash at Toulouse in which seven crew died.

The new compulsory tests for the aircraft's all-weather landing capability will be conducted at less extreme conditions to see if the consortium needs to modify the aircraft's autopilot system, being tested at the time of the accident.

Airbus said yesterday there appeared to be no need to modify the system at this stage. The accident occurred under conditions not normally experienced during routine commercial airline service.

The flight was part of the certification requirements for all-weather landings of the A330 powered with US Pratt & Whitney PW4168 engines. The same tests had been successfully carried out with the US General Electric CF6-80E-powered A330, which is already in service with Air Inter, the French carrier, and Aer Lingus of the Irish republic.

Airbus said the crew performed planned manoeuvres immediately after take-off on Thursday: capture of an exceptionally high angle of climb of 28 degrees to fly at a deliberately low speed (by comparison a commercial airliner is normally limited to an angle of 18 degrees); engagement of the autopilot; simulation of an engine failure (in this case the left engine) by bringing it to idle, and cutting off the related hydraulic circuit.

The combination of the simulated engine failure and the high angle of climb induced a loss of lateral control at 400 metres. "This altitude did not allow the crew, which regained control of the plane, to avoid impact with the ground," said Mr Jean Pierson, the Airbus chief executive.

The commercial implications of the crash are difficult to evaluate. It was the first time an Airbus has crashed during tests. Mr Pierson yesterday noted that sales of the narrow-body, twin-engine A320 airliners had doubled since an A320 crash in 1988.

In the last 20 years, 10 Airbus airliners have crashed, but Airbus's safety record is better than the industry average, which since 1979 has been one passenger death for every million take-offs. In Airbus' case, the average has been 0.73 deaths.

However, Airbus has had a particularly bad run of accidents this year, including the crash of a China Airlines A300-600 at Nagoya airport in Japan and of an Aeroflot A310 in Siberia.

Romania vote fails

Romania's left-wing minority government has survived its fifth no confidence motion since taking office in November 1992, writes Virginia Marsh from Bucharest.

The opposition brought the motion on grounds that the government's economic policies had failed, it had violated the constitution and many of its members were corrupt. Opinion polls show that 74 per cent of the public do not think it is doing a good job. The opposition has also begun moves to impeach President Ion Iliescu. Parliament is due to debate the issue next week.

Claes may face court

Mr Willy Claes, Belgian foreign minister, could be summoned to the high court to answer questions in the Inusop affair, involving the alleged secret funding of political parties, writes Emma Tucker from Brussels.

Mr Charles Nothomb, speaker of the parliament, said a committee of deputies would decide whether the Inusop evidence was serious enough to merit lifting Mr Claes' parliamentary immunity. Mr Philippe Moureaux, a former socialist minister, and Mr Guy Coemé, former deputy premier, may also face questioning.

PM rules the airwaves

How Berlusconi won control of broadcasting, by Robert Graham

The Berlusconi government has achieved its objective in the battle to control the future of the RAI, Italy's broadcasting organisation, at the expense of a bruising battle with President Oscar Luigi Scalfaro.

Yesterday the Official Gazette published a decree on the RAI, rewritten to accommodate the reservations of Mr Scalfaro. The president had refused for 24 hours to sign the original decree because it gave the government the direct power both to reject the RAI's accounts and to fire the board.

Now the power of appointing the board has been placed back with the speakers of the two houses. It so happens that the speakers both represent the right-wing government coalition. However, Mr Scalfaro insisted to the limits of his weak constitutional authority that the power be formally in the hands of parliament rather than directly with the government. He has achieved a moral victory but he has not endeared himself to Mr Berlusconi and co-operation, already previously strained, will in future be difficult.

The net effect of the rewritten decree is the same as its original. Mr Silvio Berlusconi, the media magnate turned prime minister, can now exercise control over the RAI. He also continues to be the owner of the Fininvest empire, which controls over 80 per cent of commercial television.

No one disputes the need to reform the RAI, which operates three television channels and a network of radio stations. It was constructed to accommodate the old system of political parties, with the Christian Democrats controlling the first channel, the Socialists the second and the former communist PDS the third. The RAI was also on the point of bankruptcy, with losses in 1993 of over L500bn (£205m).

However, the affair has been badly handled. Mr Berlusconi and his ministers say the RAI was biased against them. This was true during the election campaign; it acted as a counterweight to the huge propaganda effort of the three Berlusconi channels. But lately the news programmes on RAI have become almost servile in support of Mr Berlusconi.

Only Channel Three is still openly critical and last Sunday earned itself further opprobrium by screening a film in which Mr Berlusconi's current wife, Veronica Lario, plays a part in a lesbian love affair. Meanwhile, Fininvest channels remain firmly behind the government, with Network Four's presenter Emilio Fede a self-confessed apologist.

It thus looks as though Mr Berlusconi has yielded to the temptation of many a government to control the media. But in this case the issue is broader because of the potential conflict of interest with his ownership of Fininvest.

The problem is further complicated with the financial position of the RAI. If its funding is now pruned, as promised, it will have reduced scope to operate. Fininvest stands to benefit from this since it has been competing on exactly the same terms as the state channels in both programmes and salaries. If the RAI spends less, so will Fininvest, which is also strapped for cash.

The government also needs to decide whether the RAI moves to enter the multi-media era, on which considerable investments have been spent and good technology acquired. It also has to decide if the RAI can operate pay-TV. In either case, the removal of the RAI from these areas of business leaves the field free for competition, which can only benefit Fininvest.

Shokhin would like $2bn in loans. This time, will deeds match words?

Russians hopeful for G7 summit

By John Lloyd in Moscow, Peter Norman in London and George Graham in Washington

Russia is hoping this week's Group of Seven summit in Naples will yield smaller headlines but larger real support than it has received in the last two years – when vast sums were pledged at G7 summits but much less delivered.

Mr Alexander Shokhin, deputy prime minister for the economy, said on Friday that Russia might gain access to as much as $2bn (£1.3bn) in extra loans this year – if the summit approved plans for the International Monetary Fund to allocate some of its own reserve asset known as the special drawing right (SDR) to developing countries and former Communist "economies in transition".

The IMF board meets in Washington on Wednesday to discuss the SDR question. But monetary officials in Washington and leading west European capitals were uncertain whether there would be a consensus for an SDR allocation in time for the summit.

There is general agreement among G7 countries that present arrangements are unfair to 37 recent Fund members such as Russia, which have never received an allocation of SDRs. But it remains unclear whether the IMF's 178 members can overcome the technical and political complexities holding up an early provision of SDRs to Russia and other disadvantaged nations.

Such a provision is "certainly an issue that is going to be discussed, and we hope positively, in Naples", a senior White House official said.

Mr Shokhin said an SDR allocation would provide non-inflationary support for the budget and was urgently needed if Russia's political and economic reforms were to continue. While inflation had fallen further – to 6 per cent a month in June – production would continue to decline, albeit more slowly than the 25 per cent rate in the first part of the year, he warned.

He also said Russia still had to construct an economic climate in which capital would be attracted back to the country from the west.

Progress on inflation, cutting credits and raising interest rates to strongly positive levels has won praise from the IMF and of the financial community generally, and opened Russia to big IMF and World Bank loans. However, huge debts, pressures on the budget and the gradually worsening political atmosphere make western officials nervous of the future, and doubtful that a programme to stabilise Russia's economy and currency will be feasible this year – though that remains the official goal.

But US officials insist that "on Russia, there is *not* going to be a pledging session this year". They say $30bn of the $43bn promised to Russia at last year's summit is already approved by G7 governments and the international financial institutions. Of the remaining $13bn, $4bn is available when Russia can conclude a standby arrangement with the IMF, and $6bn more in a currency stabilisation fund when Russia makes the rouble convertible.

The SDR question has been on the international agenda for several years. But discussions so far have yielded no results because G7 members, led by Germany, have been unable to agree to a general SDR allocation to all IMF members along the lines of a SDR36bn (£33.8bn) issue proposed by Mr Michel Camdessus, the IMF managing director.

Until now, a selective "catch-up" increase has been ruled out because it would need an amendment to the IMF articles, entailing approval by holders of 85 per cent the IMF's membership votes and backing from the US Congress. The Fund is understood to have suggested a blend of general and selective SDR issues.

Looking ahead to Naples, Mr Shokhin, now the longest-serving Russian minister and generally seen as a moderate reformer, laid most stress on Russia's access to the "political G8" when the G7 admits Russia to talks on general political issues next Sunday. Russia will remain out of Saturday's "economic G7", which will discuss world economic problems.

He said that this "step-by-step approach" was in Russia's interests, though he forecast that it would become involved in a range of economic issues in which its voice would demand to be heard. He said the Paris Club of creditor nations, at which Russia now appears as a debtor, should recognise it also as a creditor – since it is owed, he said, $140bn by developing countries.

Shokhin: looking to "political G8"

Mr Shokhin also made clear that he would push hard for further openings in markets the Russians still see as closed or only partly open to their goods. "It's hard to reconcile declarations about partnership with discriminatory measures towards the Russian economy," he said, instancing 260 discriminatory regulations against Russian goods in the US alone.

World Bank lends less to developing countries

By Ken Warn in Washington

The World Bank's lending commitments to developing countries in the year to June fell from $23.7bn to $20.8bn (£13.6bn), the lowest figure for three years. Disbursements were also down sharply, the bank's operational results show, falling to $15.9bn against $18bn the year before.

The biggest fall was at the International Bank for Reconstruction and Development, the bank's main component which lends at close to market terms, where loan commitments amounted to $14.2bn against $16.9bn the year before. Commitments by the International Development Association, which lends to the poorest countries at concessional rates, dipped to $6.6bn from $6.8bn.

Bank officials attributed the decline in IBRD lending to the increased availability of private capital to developing countries. This has contributed to a sharp drop in adjustment lending as countries have not required the balance of payments support from the bank that has normally accompanied reform programmes.

More funds have also been available from the regional development banks following replenishment of their resources, the officials said.

Within the totals, the level of IBRD and IDA lending commitments to Africa was unchanged at $2.8bn. The bank said it was extending support for economic reform and protection of social services targeted at the poor in francophone Africa, in the wake of the devaluation by the CFA franc zone.

East Asian and Pacific countries saw an increase in commitments to $6bn from $4.4bn. The four sectors in the region receiving the most support were transport, agriculture, power and education, the bank said, with an emphasis on sustainable development.

Commitments to Latin America fell to $4.7bn from $5.8bn as many counties moved beyond the need for large structural adjustment loans. South Asia also got less, with commitments dropping to $2.4bn from $3.4bn. The bank noted that India had continued its economic reform programme and strengthened its foreign exchange programme and no longer required loans to pay for its imports.

George Graham adds: The Republic of Congo has paid up all of its $101m in arrears to the World Bank and the IDA. Congo had been more than six months overdue on its payments to the World Bank since 1991. By clearing its arrears, Congo becomes eligible for new bank loans.

Chad has standby deal problems

Chad is already having problems meeting the terms of a new standby agreement signed with the IMF in March and risks suspension at the mid-term review in September unless it can increase customs receipts, Reuter reports from N'djamena.

"In reality there is a risk," said Mr Albert Pahimi, finance minister.

A 50 per cent devaluation of the CFA franc last January hit the landlocked central African country hardest of all the franc zone members, economists say. "We accepted devaluation at Dakar out of solidarity," Mr Pahimi said yesterday. "In Chad the CFA franc was overvalued by only about 20 per cent." Since devaluation, inflation has soared to 54 per cent, according to World Bank figures.

The country's main export is cotton, and it has to import basic foods and petroleum products. A key pillar of the standby agreement was an increase in customs receipts, which Mr Pahimi said were not keeping pace with targets set by the International Monetary Fund.

Gerashchenko wants amnesty to attract investment capital back

By Anthony Robinson

Mr Victor Gerashchenko, chairman of the Russian central bank, believes an amnesty should be prepared to attract Russian flight capital back into productive investment in the country. The Russian Finance Ministry estimates that $15bn-$20bn has flowed out of Russia illegally in each of the last two years, he added.

Mr Gerashchenko, who faced fierce criticism from reformers last year but survived calls for his removal, said in an interview, "The Russian 'new class' understands that opportunities exist for profitable investment in Russia. But they want certain tax and investment incentives and guarantees that nobody will enquire too closely into the provenance of the repatriated funds."

"I say 'yes' to an amnesty. Why not? What will we obtain through making unnecessary enquiries which require much difficult work, will not obtain useful results and will certainly not create a good environment for investment?"

Mr Gerashchenko, who remains sceptical about the efficacy of monetary policy in a country with inadequate financial instruments at the command of the monetary authorities, *now* acknowledges the importance of positive real interest rates in attracting savings and underpinning the rouble. "Six months ago many citizens were buying foreign currencies to try to preserve the value of their money. Now they receive positive interest rates from rouble accounts with the Russian commercial banks and prefer to keep their funds there."

Predicting that inflation would drop to between 6.5 and 7 per cent in the month of June from 8-9 per cent over the first five months of this year, Mr Gerashchenko said he expected a period of economic stability for the rest of the summer but some tension in the autumn, traditionally a time of pressure on government spending and prices.

Expressing scepticism about the government's ability to stick to the tough budget limits drawn up to conform with IMF performance targets, he said the main problem was the inability to collect taxes. "There is a large grey economy and the government cannot collect taxes in full. That is why the 1994 budget law does not satisfy us much. Parliament continues to impose spending obligations which we cannot fulfil, although we are hoping to be able to issue more Treasury bills to raise revenue in the last quarter," he said.

Western tax experts have warned the government that if it does impose high or arbitrary taxes on foreign companies and individuals it risks alienating foreign investors who are free to chose more favourable tax and administrative regimes in the extremely competitive investment climate.

Gerashchenko: amnesty – "Why not?"

Chapter 11-style scheme proposed for insolvent states

By Philip Coggan, Economics Correspondent

Mr Jeffrey Sachs, the former economic adviser to the Russian government, has called for a new system for dealing with country insolvency, based on the Chapter 11 bankruptcy code used in the US.

Speaking at a Centre for Economic Performance symposium at the London School of Economics, Mr Sachs said the International Monetary Fund had "become an institution that has unfortunately become set in ways that made sense in the 1950s but are inappropriate for the 1990s".

The IMF lacks a conceptual framework for state insolvency, said Mr Sachs, who has long been an outspoken critic of the IMF.

The Chapter 11 system, by creating a standstill on debtors, gives a critical breathing period to companies, enabling them to sort out their problems, and prevents a "creditor grab race" whereby assets are quickly seized.

"The IMF needs to be moved in the direction of acting as a bankruptcy referee or judge rather than as a lender in financial distress," said Mr Sachs. He thought the mechanisms to achieve a debt standstill could be achieved under existing treaties, but a new economic conference to establish such procedures might be needed.

Mr Sachs also criticised the IMF for favouring free-floating currencies, rather than nominal exchange rate targets and for concentrating on balance of payments financing needs, rather than on the financial problems of the indebted governments themselves.

Arafat's return shatters a dream of home

Many in the refugee camps believe the Palestinian leader has sold them short, says Julian Ozanne

As Mr Yassir Arafat made a hero's entry into the Jabalya refugee camp at the weekend – the crucible of the Palestinian intifada, or uprising, against Israel – one family stubbornly stayed indoors.

"For us the return of Arafat means the end of hope – the hope we will ever get our land back. It is a day of shame," said Hisham Elakra.

Like many Palestinians the Elakra family sees Mr Arafat's peace accord with Israel as a betrayal of its dream of returning to the land its fathers lived on before the 1948 Arab-Israeli war and the subsequent creation of the state of Israel.

The Elakra are not Islamic fundamentalists opposed to the peace agreement on religious grounds because it does not usher in an Islamic state in all of the traditional land of Palestine. They are part of the secular Palestinian opposition to Mr Arafat inside Gaza, the West Bank and the 4m-strong diaspora who believe that Mr Arafat has sold them short.

Not only has the peace agreement firmly ruled out any prospect of regaining the 1948 Palestinian lands, but most Palestinians believe it has also permanently shelved the notion of a return.

When the dust settles and the theatre of Mr Arafat's return passes, the fate of the fragile peace agreement could be determined by whether he is able to win over the secular opposition in Gaza-Jericho and in Lebanon, Jordan and other Arab states. Any failure by Mr Arafat to deliver on promises of jobs and prosperity and, more important, further gains of land from Israeli occupation, will fuel the opposition.

The youths of the Elakra family – Hisham, Bassam and Fayes – were born and raised in the dusty and littered streets of Jabalya Camp, home to 72,000 Palestinian refugees. They have never left the densely populated Gaza Strip but they resolutely refuse to call it home.

They are proud of their refugee identity and have no wish to accept Palestinian passports or leave the camp unless they are going home.

Home is a place they have not seen, and probably never will. But they pronounce its Arabic name, *Bruier* (it now called *Brur Hail* in Hebrew) with pride and passion. It is a place which has become shrouded in myth and legend, growing ever more sweet with the fading memories of their fathers and grandfathers who were forced to flee their 300 dunums (about 75 acres) of farmland as Israeli tanks and soldiers attacked their village in the early hours of May 12 1948.

Today the Elakra's land, which once boasted grape vines and wheat fields, is a built-up Israeli kibbutz south of Ashkelon.

The spirit of 1948 beats strong in the hearts of even the youngest in the family.

"The peace agreement is not peace. It is a surrender of our Arab land and we must fight against it by all means ... We have nothing to lose – no land, no jobs, no dignity. We will not leave this camp until we go back to our village," said Bassam.

Hero's return to Jabalya refugee camp on Saturday: but opposition will grow unless Mr Arafat can deliver his promises — Reuter

Although there is still a slim majority in favour of the peace process in Gaza and the West Bank, Palestinian refugees like the Elakra family say the peace agreement would be resoundingly defeated in a referendum held in the entire Palestinian nation, including the diaspora.

There are no portraits of Mr Arafat or Palestine Liberation Organisation flags at the Elakra house. Instead, pictures of Che Guevara, Lenin and Dr George Habash, the Damascus-based leader of the left-wing Popular Front for the Liberation of Palestine, adorn the small bedrooms. Any mention of Dr Habash – or Hakeem (the wise one) – is greeted with approval.

"We accepted Arafat as our leader – as the president of Palestine. But he has accepted to be mayor of Gaza-Jericho. He has sold us out for nothing and the only way he will be able to rule is by using the secret police like the Israelis," said Hisham.

Mr Arafat is gambling that he will be able to win support through massive investment in housing, jobs and social services. But he is clearly nervous about the prospect of general elections. He may also have underestimated the strength of feeling about recovering Arab land that burns so passionately amongthe refugees who make up more than 75 per cent of Gaza's 850,000 population, especially those 325,000 still living in camps.

Attachment to land has acquired an almost supernatural importance to the Palestinian refugees – an affirmation of their existence with a past they portray as a paradise.

"Land is stability," said Bassam. "If there is no land we will not exist as a family as a people. We are physically related to our land because the graves of our family are on that land and our history of our family is on that land."

Although many Palestinian refugees know they may not see their land in their lifetime, they are philosophical about the future sure that the tide of history will one day turn in their favour.

"Yassir Arafat is betraying our rights now because we are weak and Israel is strong," said Hisham.

"Israel will not always be strong. Turkey and Britain ruled the world and Palestine for hundreds of years but where are they today? No one thought the Soviet Union would collapse but it did. One day Israel and the US, which supports Israel, will collapse and Palestine will be returned to us.

"It does not matter whether I will live to see Palestine but for sure my son or my grandson will get the land back."

North Yemen oil output halted

By Mark Nicholson in Cairo

North Yemen's 190,000 barrel a day oil production has been halted by a south Yemeni air raid, a north Yemeni oil official said at the weekend. The attack deprives the Sanaa government of its chief source of hard currency until the damage is repaired.

Northern forces, meanwhile, kept up artillery and rocket attacks on the southern city of Aden as the International Committee of the Red Cross warned that people in the city would soon be dying of thirst unless its shelled water treatment plant was repaired.

North Yemeni officials have said they would allow engineers and a Red Cross team to repair the facilities. The ICRC said a repair team was ready to move in but was awaiting assurances for its safety.

Mr Ismail al-Dailami, oil ministry manager at Marib, told Reuters that a raid by southern jets last week had destroyed two vital water coolers at the crude oil pumping station feeding the pipeline to Ras Isa, the north's oil export terminal.

He said that the damage could be repaired "in a few days". But it was unclear if replacements for the two wrecked coolers were available in Yemen or would have to be flown into the country. Hunt Oil in Yemen, which operates the Marib field, would not comment on the reported damage yesterday and no immediate reaction was available from Hunt's Dallas headquarters.

The Marib operation is the mainstay of north Yemen's oil industry, pumping almost 190,000 b/d of crude. Production is continuing in the south, where Canadian Occidental is producing up to 160,000 b/d from its Masila field, but the company has been paying Yemen's share of the oil revenues into a trust account since the outbreak of civil war in early May.

Demand for crude tankers set to rise

By Charles Batchelor, Transport Correspondent

The oil tanker industry is poised for recovery following a slump which has lasted for most of the past 20 years, according to a review of the tanker market by Petroleum Economics, a consultancy.

The rates paid to charter tankers increase sharply when surplus capacity falls to 50m dead weight tons (dwt) and this threshold appears set to be breached shortly, the review said.

A drop in the rates paid on the spot market in the early 1990s led to a sharp increase in the number of older vessels being scrapped while fewer new vessels have been ordered over the past three years. If the Opec oil producers increase their shipments next winter, demand for tanker capacity will rise, it forecast.

Oil output from wells outside the Middle East is running close to capacity so any disruption to those supplies could only be matched by increased output from the Middle east. Transporting oil on long-haul routes from the Gulf will increase tanker demand.

The tightening up of environmental legislation in the US, in particular, has made it less attractive for large oil companies to own their own fleets of tankers. The amount of company-owned tonnage has fallen from around one-third in the early 1970s to one-quarter. At the same time low rates in the spot market have meant the oil companies and other charterers have increased their activity in the spot market and reduced the number of long-term charters.

The volume of tonnage on spot charter rose from 10 per cent to 50 per cent while long-term charters fell from 50 per cent to 20 per cent.

This dependence on the spot market is expected to lead to fierce competition among charterers for vessels when demand increases. This will push charter rates up higher than would be the case if there was a greater volume of long-term charters.

Charter rates for a modern 250,000 dwt "supertanker" are forecast to rise on the spot market from $13,000 a day this year to $21,000 in 1995 and $30,000 the following year, the review said.

World Tanker Outlook – An End to Surplus. 7 Copthall Avenue, London EC2R 7BU. £1,000

Rwandans fire on French

By Leslie Crawford in Butare, Rwanda

French marine commandos came under fire from Rwanda Patriotic Front guerrillas for the first time yesterday as they evacuated nuns and orphans from the besieged university town of Butare.

"The RPF came over a hill and fired at the convoy leaving town," Col Didier Thibaut of the 11th Parachute Regiment of Toulouse said. "Some of the bullets lodged in our vehicles, and we returned fire. There were no casualties on our side."

Col Thibaut said this was the closest his soldiers had got to the front line in Rwanda's civil war, perhaps too close for comfort. The brief exchange of fire underscores the difficulty of the French mandate to protect civilians while not intervening in the Rwandan conflict.

"Our mission is not to fight the RPF, or to help the Rwandan government fight the RPF," Col Thibaut said.

The nuns and orphans, including Europeans, Hutus and Tutsis, were rescued in a lightning operation as the rebels closed in on Butare. The capture of the town, which is strategically located between the main roads south to Burundi and west to Zaire, would be a big victory for the Tutsi-led rebels.

Col Thibaut confirmed last night that the town was expected to capitulate within hours.

Yesterday afternoon, Butare's leafy boulevards were deserted, while thousands of civilians streamed out of the town. The route to Burundi was choked with overloaded vehicles and a mass of people on foot, fleeing with their mattresses, cooking pots and clothes.

US poised to boost formal Taiwan ties

By Laura Tyson in Taipei

The US is poised to boost formal diplomatic ties with Taiwan after its first policy review of bilateral ties in 15 years, amid congressional calls to rescind a ban on high-level exchanges between the two countries.

The move would be the first official recognition from Taiwan's biggest longstanding ally of its transformation from a military dictatorship to a democratic state.

The US has funnelled billions of dollars in aid to Taiwan since the ruling Nationalist government lost China's civil war in 1949.

Observers said changes were likely to be subtle but would enhance the international profile of Taiwan, which is struggling to counter incessant diplomatic bullying by China, and pushing to join the United Nations.

Mr Warren Christopher, US secretary of state, told the Senate foreign relations committee on Friday that improvements in ties would be made in line with a "broad and deep review" of Taiwan policy by the Clinton administration to be published soon.

INTERNATIONAL PRESS REVIEW

Reshuffle fails to convince

UNITED STATES

By Ken Warn

The White House did its utmost to put a favourable spin on last week's reshuffle in its ranks, but the US media resolutely refused to be spun, remaining sceptical of many aspects of the shake-up.

The oft-repeated official line that the changes were just the kind of routine tinkering that any organisation goes through found few takers.

"No explanation has been given for the changes," wrote Mary McGrory in *The Washington Post*. "To hear everyone speak at the graduation ceremonies in the Oval Office Monday, everyone has done a spectacular job, things had never been bad, they just could be better."

The grumbling, she said, was all behind the scenes.

There was praise for the key players in the game of musical chairs – Mr Leon Panetta, who switched from heading the Office of Management and Budget to become White House Chief of Staff, Ms Alice Rivlin, who stepped into Mr Panetta's shoes, and spinmaster Mr David Gergen, who went from an advisory role at the White House to one at the State Department.

But one common theme was: Good people, pity about their boss.

Giving the top White House job to a Washington insider like Mr Panetta would help at a time when Mr Clinton's foreign policy was under attack, healthcare reform was mired in Congress, and the president's poll ratings were falling, suggested David Lauter at the *Los Angeles Times*. "But because Clinton's problems go far beyond his sometimes disorganised staff structure – and stem in large measure from his own lack of decision-making discipline – the help may be limited," he wrote.

The New York Daily News was more succinct. "If Clinton wants real change, he'll read the riot act to the man in the mirror," it said.

Mr Gergen too was praised at the expense of his boss. However, Doyle McManus writing in the Los Angeles Times thought Mr Gergen's star had been waning, and White House staffers must have been relieved to get rid of the Republican in their midst ahead of November's mid-term elections.

The Post welcomed Ms Rivlin's step up from deputy at OMB and thought her nomination "virtually certain to sail through Congress". She had "earned a reputation as the administration's fiercest deficit hawk", it said. The Los Angeles Times could not resist reminding readers of her Capitol Hill nickname – Tiny Alice.

The only apparent loser in the reshuffle was Mr Thomas "Mack" McLarty, Mr Clinton's childhood friend, who was eased aside by Mr Panetta but will remain in the White House as a senior counsellor.

Mr McLarty was widely reported as a nice guy who just lacked sufficient Washington experience to head the White House staff. But there was no sympathy from *New York Times* columnist William Safire. "Mack McLarty, who went to kindergarten with Clinton, is taking their old sandbox into the Oval Office's bunker of broken dreams."

However, a Washington Post editorial thought that in switching from an executive to an advisory role, Mr McLarty might even find himself wielding more power than before. It pointed out that Mr George Stephanopoulos, former White House communications chief, was "reassigned from an executive function to a counsellor's role" last year and is now more influential than ever.

Mr McLarty is nothing if not loyal. Only hours after the shake-up announcement, which sounded at times like his funeral, up he popped on CNN's Larry King Live show, flanked by Mr Panetta, saying what a great idea it all was.

Mack the Nice and Neon Panetta, as King dubbed them, then seemed to appear on every talkshow or news programme that would have them, or that was not dominated by blanket coverage of the OJ Simpson case.

No news out of Washington last week could compete for air time with the drama in Los Angles as one of the nation's most prominent sporting heroes faced a televised preliminary trial hearing accused of murder.

Elsewhere there was much debate over whether more high-level reshuffling was to come, particularly in the foreign policy area, where rumours of change have been rife for weeks.

The *Wall Street Journal*, in a lengthy memo to Panetta, urged change at the top of the foreign policy machine, reserving some harsh words for the Secretary of State: "Everyone in this town [Washington] thinks that Warren Christopher is a lame duck."

For The Washington Post's In the Loop column, Mr Christopher was not so much a lame duck as a bald eagle – the comeback of which from the verge of extinction was much celebrated in the US last week. But only a big administration victory on Bosnia, Haiti or especially Korea could remove Mr Christopher and Mr Anthony Lake, the national security adviser, from the endangered species list, it warned, and even that might be temporary.

NEWS IN BRIEF

Casino owner named in HK probe

Mr Stanley Ho, Macao's casino king, has been named in a Hong Kong government investigation which alleges irregularities in the conduct of two companies. Mr Ho used to be chairman of one of them, writes Simon Holberton in Hong Kong.

The government released an abridged version of the report into the affairs of Tomson Pacific, the World Trade Centre Group (WTCG) and related companies at the weekend. The results of the 18-month investigation have been referred to the police and securities' market regulators for possible action.

Mr John Lees, the independent investigator, says companies controlled by Mr Ho together with his Macanese flagship, Sociedad de Turismo e Diversoes de Macau, were involved in avoiding the colony's takeover code.

Mr Ho denies any wrongdoing or knowledge of the transactions referred to in the report.

Cambodia coup attempt foiled

Cambodia's coalition government announced yesterday that it had foiled an attempted coup d'etat over the weekend, placing a former interior minister under house arrest and expelling one of the sons of King Norodom Sihanouk for plotting the government's overthrow, Victor Mallet, South East Asia Correspondent, writes.

The attempted coup appears to have been stopped in its early stages without death or injury, but it demonstrates the fragility of Cambodian democracy a year after the UN-organised elections.

The authorities detained Mr Sin Song, interior minister under the previous, communist regime installed by Vietnam, in the early hours of yesterday morning. They also expelled Prince Chakrapong, a former deputy prime minister, putting him on a flight to Kuala Lumpur.

Former Albania president jailed

Albania's former president Ramiz Alia, the country's last communist leader, was convicted by a Tirana court of abuse of power and other charges and sentenced to nine years' imprisonment, Reuter reports from Tirana.

Mr Alia, 68, had pleaded not guilty to the charges and accused the government of Albanian President Sali Berisha of subjecting him to a political trial.

Korean summit media ban

North and South Korea have agreed to exclude foreign journalists from accompanying 80 South Korean reporters who will travel with President Kim Young-sam to Pyongyang later this month for a meeting with North Korean President Kim Il-sung, writes John Burton in Seoul.

The decision was taken as part of an agreement reached at the weekend between the two Koreas on detailed procedures for the summit on July 25-27.

Carolina air crash kills 22

A USAir DC-9 crashed and burned in a thunderstorm after missing an approach to Charlotte's international airport on Saturday, killing at least 22 passengers, Reuter reports from North Carolina.

Both the pilot and co-pilot were among about 30 survivors. This number is unconfirmed because there may have been small children not listed among the passengers. The airline said 15 people remained unaccounted for.

Spain mobile phone contest

The Spanish government has prepared the way for competition in mobile telephones, approving a set of rules for digital cellular networks, writes David White in Madrid.

Spain is due to invite bids later this month for a licence to compete with the national operator Telefónica. Five consortia of Spanish and foreign companies are set to enter the contest, which is due to be decided by the end of November. The winner will have to pay an entry fee estimated at up to Pta100bn (£487.8m).

Reich seeks action on labour standards

By Jeremy Kahn in Washington

Multilateral development loans and grants should be used as carrots and sticks to encourage developing nations to improve their labour standards as their economies grow, Mr Robert Reich, US labour secretary, has urged.

All countries should be held to certain minimal labour standards, Mr Reich told a House banking sub-committee that oversees international development and trade. States employing slave, prison or child labour, and denying workers the right to organise and bargain collectively, were "outside the community of civilised nations", he said.

Beyond these fundamental standards, said Mr Reich, the US should be cautious, realistic and pragmatic in its expectations of developing nations' labour practices.

"The international community clearly cannot attempt to dictate levels of working hours, minimum wages, benefits or health and safety standards uniformly matching those of the US and other industrialised nations," he said. "While it is neither fair nor realistic to insist that labour standards within developing countries must be identical to those in richer countries, it is appropriate to expect labour standards to improve as economies develop."

In addition to core labour standards, Mr Reich recommended a two-part test to evaluate how developing nations should be ranked for multinational aid – the existence of democratic institutions and evidence of improving trends in labour conditions.

"The less democratic the country, the greater the grounds for suspicion or concern that labour standards are being suppressed in order to serve narrow commercial interests or in a misguided mercantilist impulse on the part of the elites," Mr Reich said.

Mr Reich's statements come at a time of growing debate in Congress and across the country about whether the US should pass legislation to implement the Uruguay Round of the General Agreement on Tariffs and Trade.

He warned that the debate over international labour standards should move beyond simple free trade versus protectionism arguments. But the labour secretary was attacked from both the right and left on just such grounds.

"I would hope that we don't tie some conditions to what a country has to have before we can trade with them," Mr Alfred McCandless, a California republican and free-trader, said. "We do not seem to take this attitude or approach with the people we give foreign aid to."

Mr Bobby Rush, an Illinois Democrat, berated Mr Reich for having an "academic" attitude to US jobs.

Mr Reich repeated his view that in an increasingly global economy, government should stop thinking of companies as "American" or "foreign" and develop a new patriotism based on its citizens, not its products.

Airlines press Clinton on 'open skies'

By Paul Betts, Aerospace Correspondent

President Bill Clinton is coming under pressure from a growing number of US carriers to revive negotiations with the UK on liberalising airline services between the two countries.

Mr Ron Allen, chairman of Delta Air Lines, the third largest US carrier, is the latest US airline chief executive to have written to Mr Clinton asking him to intervene to break the deadlock.

Mr Allen asked the US authorities to approve his airline's recent commercial partnership with Mr Richard Branson's Virgin Atlantic Airways to give it access to London's Heathrow airport.

Under the current air service agreement between the two countries only two US carriers – United and American – can serve Heathrow, the world's biggest international airport. But the marketing and ticket code-sharing partnership with Virgin would open the door for Delta into Heathrow.

Mr Allen's letter follows a similar initiative last week by the heads of six other US airlines, including United, the largest US carrier, who all wrote to Mr Clinton urging him to take action to revive "open skies" talks with the UK.

These initiatives reflect frustration among many US carriers at the refusal by the Department of Transportation to consider reviving talks with the UK after walking away from negotiations last year.

The DOT appears to have sided so far with the position of American Airlines, the second largest US carrier, which has argued that the US should renounce its air agreement with the UK unless Heathrow was immediately opened to all US carriers.

Instead, Mr John MacGregor, the UK transport secretary, who has also become increasingly frustrated by the DOT's attitude, has proposed a gradual process of liberalisation over three phases eventually leading to total "open skies".

Mr Allen argued in his letter that approval of the Delta-Virgin partnership would inject more competition on transatlantic routes and "underscore the desire of both our governments to move towards serious liberalisation".

Mr MacGregor has already given his approval to the Delta-Virgin partnership.

Healthcare battle for Congress this week

By Ken Warn in Washington

The political battle over US healthcare will move to the floor of the House and Senate after this week's congressional recess following the completion of committee work on the legislation.

The Senate finance committee approved on Saturday a version of the bill which drops a key component of the reform envisaged by President Bill Clinton – the employer mandate, under which companies would pay the bulk of their workers' insurance costs.

The finance committee's version would rely instead on a mix of tax incentives, insurance reform and subsidies for the poor to try to expand health insurance coverage. The bill falls short of Mr Clinton's aim of universal coverage.

In an indication of other struggles to come, the committee adopted an amendment that would allow employers to exclude abortion coverage from any health insurance they may buy their workers. Thirty-six Democratic congressmen have written to Mr Thomas Foley, the House Speaker, saying they cannot support legislation that does not exclude abortion.

Four of the five committees with jurisdiction over healthcare have now completed their versions of the bill. The fifth, the House energy committee, has given up the struggle after failing to reach consensus.

Three versions of the reform reported out of committee bear close similarities to the Clinton plan. However, the Senate finance committee is considered to reflect closely sentiment within the Senate itself, and some House members may also look to it for a lead.

WORLD CUP

Total football a matter of faith for Holland

Simon Kuper in Boston finds that Dutch squabbles could undermine their natural ability

The Dutch blame the heat. Soccer players boil at 47°C, and Holland's second-round game today against Ireland is their third in sticky Orlando, Florida.

Naturally, there is more to the Dutch decline than Florida's heat. Go back six weeks to the European Cup final between Barcelona and AC Milan. *Barca*, led by Dutchman Johan Cruyff, play pretty total football, and Cruyff spent the days before the match knocking Milan – "a team with only runners and defenders." It would be better for football if Barcelona won, he decreed.

Milan won 4-0, and in Orlando Cruyff's spirit lives on. The Dutch play pretty soccer, and they think they deserve to win. So far they have been lucky to beat little Saudi Arabia and Morocco – 2-1 each time – and they lost 1-0 to Belgium.

The German press applauds any victory, but Dutch papers demand beautiful football, and players are spending hours after every match lecturing journalists on the weather. Lex Muller of the *Algemeen Dagblad* spoke for many when he called the Orlando side "a too gentle team of ideal sons-in-law."

Holland's winners are back home in Europe. Ruud Gullit, whatever the myth, is no laid-back Rastafarian reggae-lover. He is a fierce competitor who walked out of the Dutch training camp three weeks before the World Cup because he thought that playing with four forwards was "suicidal", and because he secretly dreaded a seat on the bench. Marco van Basten is chronically injured.

Cruyff, who loves winning, is absent thanks to the saddest row of all. It was agreed two years ago that he would lead the Dutch to the World Cup. With him in charge, Holland might have had a shot at the trophy.

Last December the time came to negotiate, and everything fell through. Cruyff asked for too much money (no great turn-up for the books, that); Lotto, kit sponsors of the Dutch team, took fright at his plans to promote Cruyff Sportswear at the tournament (another old story); the chairman of the Dutch FA pushed Cruyff to sign the contract in a week that Barcelona had three matches; and, when a final fax from the chairman came through at Casa Cruyff, the print was illegible.

So Dick Advocaat, a gritty 1970s midfielder, is managing Holland, and the players are uninspired. English players always try hard, but Dutch ones are different.

The Dutch squabble, a pastime that cost them the last World Cup and could cost them this one, too. It is a tradition inspired by two men: John Calvin, who taught the faithful to ignore priests and read the Bible for themselves, and Johan Cruyff, who taught them that a good scrap motivates people.

Thanks to these two, a Dutch player believes that he is quite as likely as his manager to have the Truth. Hence Gullit thought he had a right to tell Advocaat how to play, while this week the players have been lobbying their coach to play an extra defender. Authority figures have a hard time in Holland.

This team lacks leaders – figures who will remind the rest that this is a World Cup, who will chase opponents after 80 minutes in the heat, who call for the ball when nothing seems to be working.

Ronald Koeman, the Dutch captain, lacks the cosmopolitan charisma of Gullit or Cruyff, and has the job for want of an alternative. At 33, Jan Wouters spends most of his time soliciting yellow cards, while Dennis Bergkamp, though already 25 and the best player in the team, is still a shy boy.

Frank Rijkaard, the other great player in the side, has never wanted to lead. If it were up to him, footballers would get as much publicity as accountants or bricklayers, and though he is more gifted than Gullit, he always played in Gullit's shadow.

Dick Advocaat dropped Rijkaard for the game against Morocco – just as Italy took off Roberto Baggio when the going got tough – and after the match a sedate Rijkaard explained to the press that "not everyone can play at the same time." Had Gullit been left out, he would have flown home.

In the 1970s there were two Dutch clubs worth mentioning, Ajax and Feyenoord. Ajax players were ballet dancer types who invented total football, while Feyenoord players looked as though they had been dug out of the ground.

Now there is only one serious club, Ajax, where nine of the players who started against Morocco spent their formative years. The Dutch have no men with beards anymore, and it shows.

Their playing style is holier-than-thou. Though they are now down from four forwards to three, they use four mid-fielders, and the trio at the back includes two creative players in Koeman and Frank de Boer. (A 100-metre dash between them would be enlightening, but would take ages to complete).

Advocaat, who used to be a defensive coach, is now refusing to play a fourth defender against Ireland. He points out that the Irish play with only one striker. That is true, but their mid-fielders will come down the wings. Ireland against Holland is chalk against cheese, and everyone knows what happens to cheese at 47°C.

Ireland are expected to stick to 4-5-1 against Holland, using one striker supported by five mid-fielders. Manager Jack Charlton can use first-choice full-backs Dennis Irwin and Terry Phelan, suspended for the 0-0 draw against Norway.

But Ireland's problem is not defence. They are having trouble scoring. They scored only twice in three first-round games, though the manager says his team had to play in the toughest group.

"We have fully justified our presence here by qualifying [for the second round]," Charlton said. "It's still a difficult situation for us, but I said from the beginning that if we got there we would be dangerous since the pressure would be off.

"We'll see what happens next but we've already got a solid sense of achievement." The Irish have a fully-fit squad. "We've now gone to the second phase of two World Cups and we would like to go a bit further," added the manager.

Germany and Spain through after effective victories

At least the natural order of western European soccer has re-asserted itself, *Jurek Martin writes.* Two big 'uns, Germany and Spain, disposed of two little 'uns, Belgium and Switzerland, in World Cup second-round play on Saturday with no more than a modicum of fuss. Germany beat Belgium 3-2 and Spain beat Switzerland 3-0.

In both matches, speed counted. Spain, playing after a light rain had fallen on Washington, seemed yards faster than the ponderous Swiss, whose creative and quick mid-fielder, Sutter, watched glumly from the sidelines in his socks, out with a broken toe.

The fastest Spaniards were Sergi, Hierro and Ferrer. Hierro took the middle road to score Spain's first-half goal, Sergi the left to set up the second, by Enrique, and Ferrer the right to be upended by the goalkeeper, Beguiristain converting the penalty.

The Swiss drew a couple of good saves from Zubizarreta but the more they trudged forward in the second half the more they were open to swift Spanish ripostes. The final margin could easily have been wider.

The German result in an unseasonably cool Chicago was also closer than the balance of play warranted. Albert's 90th-minute goal set up a frantic finish, with Preud'homme, the admirable Belgian 'keeper, up in the German penalty area and almost geting his head to an injury-time cross.

Without Preud'homme's performance, the Germans could have scored something closer to double figures than three, and rendered academic hot – and possibly justified – Belgian appeals for a second-half penalty after Weber had been brought down.

Klinsmann, maintaining his goal-a-game pace, and Völler were too quick and co-ordinated for a Belgian back line already run ragged by Saudi Arabia. Matthäus, who set up Völler's first goal, sat out the second half with a foot injury but looked much more offensively-minded in the first 45 minutes than hitherto.

Shock follows Escobar murder

Colombian police reported the arrest of two suspects and said two others were being sought in the murder of national team player Andres Escobar.

Twenty-seven year-old Escobar, whose own goal in Colombia's game against the US led to his team's 2-1 upset defeat and contributed to their elimination from the tournament, was shot 12 times on Saturday as he left a bar in Medellin, Colombia's third-largest city.

Mayor Luis Alfredo Ramos said other Colombian players living in Medellin would be given bodyguards. A $62,500 reward was set for the assassins' capture.

Fifa, soccer's governing body, said in a statement from Dallas that it was "profoundly horrified and dismayed" by the slaying.

Italian coach Arrigo Sacchi summed up the shock that reverberated around the soccer community when he said: "The unjustified death of a young player is without sense. It also means that soccer is not only and no longer a sporting event, but something whose importance goes beyond our beliefs."

Kantor seeks break for US

No game has received more anticipatory ink and airtime than today's between Brazil and the US. But the best word comes from Mickey Kantor, US trade representative and baseball freak, caught with his family on Saturday at the Spain-Switzerland game.

He fancied Spain, though not, he insisted, because Swiss markets are insufficiently open.

When Brazil declared independence early last century, the first country to afford recognition was the US. Is it not time, Kantor wonders, for Brazil to acknowledge that favour, especially since it is playing the US national team on the 218th anniversary of US independence?

Meanwhile, President Clinton telephoned coach Bora Milutinovic and members of the US team on Saturday night, wishing them well against Brazil and inviting them to the White House.

Clinton, calling from Camp David, said he would be watching the game – the first second-round appearance for the US in the World Cup since 1990 – with his wife Hillary and daughter Chelsea.

Germany's Jürgen Klinsmann jumps over Belgian keeper Michel Preud'homme during Saturday's game Reuter

Results

Saturday

Germany	3	Belgium	2
Spain	3	Switzerland	0

Other Second Round Games

Holland vs Ireland
Today Orlando (5pm BST)
Brazil vs USA
Today San Francisco (8:30pm)
Nigeria vs Italy
Tomorrow Boston (6pm)
Mexico vs Bulgaria
Tomorrow New Jersey (9:30pm)

Quarter-finals

Saturday, July 9
Match A: Spain vs winner of Nigeria-Italy, *Boston 5pm*
Match B: Winner of Holland-Ireland vs Brazil-US, *Dallas 8.30pm*

Sunday, July 10
Match C: Germany vs winner of Mexico-Bulgaria, *New Jersey 5pm*
Match D: Winner of Romania-Argentina vs Saudi Arabia-Sweden, *San Francisco 8.30pm*

Semi-finals

Wednesday, July 13
Winner match C vs Winner match A, *New Jersey 9pm*
Winner match D vs Winner match B, *Los Angeles, 12.30am Thurs*

Final

Sunday, July 17
Los Angeles 8.30pm

OECD set to attack UK over Pergau aid

By Jimmy Burns and James Blitz

The British government's use of a £234m aid offer to Malaysia to help build the Pergau dam is expected to be criticised by the Organisation for Economic Co-Operation and Development in a long-delayed report to be published tomorrow.

The OECD report is expected to be broadly complimentary about the general conduct of British aid policy. But in the case of the Pergau dam project, it is thought to be critical about the way that aid was linked to a defence deal. The OECD's criticisms will come at a time when the political controversy over Britain's aid programme for the dam is set to re-open.

In a few weeks time, the House of Commons' Foreign Affairs Committee will publish a report into the Pergau project, which is expected to be critical of decisions taken by Baroness Thatcher's government in the late 1980s.

Later in the year, the High Court will decide whether to issue a judicial review of the decision by Mr Douglas Hurd, the Foreign Secretary, to proceed with the aid deal in 1991. If the High Court issues a review, it could order a halt to the bulk of the £234m of payments to the Malaysian government, which are yet to be made.

The OECD's report is being published by the organisation's Development Assistance Committee (DAC) following an annual review of Britain's aid programme by a team of Finnish and Belgian examiners.

In recent weeks, the OECD has been subjected to criticism for delaying the report, which was completed in draft form in March. OECD officials have blamed the delay on "production difficulties."

In discussing the UK's involvement in Malaysia, the DAC is thought to have expressed unanimous support for the principle that all aid be subjected to the full standards of normal assessment and that "aid quality should predominate" in decisions by individual member states.

OECD examiners have taken evidence from British officials at the Overseas Development Administration, which is supposed to manage the UK aid programme. ODA civil servants objected to the Pergau project on economic grounds, but were overruled by ministers.

The UK government last year changed its aid and trade rules, so that a country as prosperous as Malaysia could no longer qualify for assistance. The formal British aid grant offer to Malaysia was the largest ever provided for a single scheme under the government's Aid and Trade Provision.

Enterprise Oil chairman's role under scrutiny

By Robert Corzine and Norma Cohen

Mr Graham Hearne, chairman and chief executive of Enterprise Oil, may be forced to relinquish one of his roles following the failure last week of the company's hostile bid for Lasmo, its fellow oil exploration group.

The Enterprise Oil board will meet shortly to consider Mr Hearne's position, but it is unlikely that there will be pressure for him to resign both posts.

However, there has been concern about his dual role since the departure of Mr John Walmsley, the former finance director, who had been considered a counterbalancing force on the board.

Mr Hearne telephoned non-executive board members on Friday afternoon just before the bid failure was publicly announced and later said the board remained fully supportive of the takeover attempt.

"They saw it as a good opportunity as long as we got it at a sensible price," he said.

Many industry observers have expressed surprise that Mr Hearne, one of the most highly regarded senior executives in the independent oil sector, should have misread market sentiment so badly.

The £1.6bn all-paper offer for Lasmo attracted acceptances for only 23 per cent of the shares. Additionally, Enterprise acquired 9.8 per cent of Lasmo via a £159m cash raid last Wednesday when its advisers, S.G. Warburg and Co, believed that at least 40 per cent of shares would be tendered in favour of the bid. Enterprise is now showing a nominal loss of about £30m on the investment.

The purchase is now raising questions about how the company and its advisers could have mis-read investors' intentions so badly.

Yesterday, Mr Piers Von Simson, the Warburg director in charge of the bid, said: "A large number of things went wrong. Individually each was not enough to sink the deal but collectively they were."

"It was our impression that the institutions would come in," he said.

If there was any single shortcoming it was Warburg's failure to communicate its client's message effectively, he said.

"All along we believed it was an entirely sensible offer," he said.

He said that plans to underwrite "a significant cash alternative" to the all-paper bid were scuppered by volatile equity markets in mid-June, making formation of an underwriting group impossible.

Clarke hints at jobless shake-up

By Philip Stephens, Political Editor

Mr Kenneth Clarke, the UK chancellor, yesterday raised expectations that tougher benefit rules for the unemployed would be accompanied in his November Budget by improved incentives for people to take low paid jobs.

His comments point to an extension of the family credit benefit and to further changes in national insurance contributions for those on low incomes to accompany the replacement of unemployment benefit by a new Jobseekers' allowance.

The new allowance will be payable for six rather than 12 months and will impose tighter obligations on the unemployed to seek work.

But ministers are aware the new system will only operate effectively if the jobless, particularly those with children, do not face financial penalties in accepting work.

Mr Clarke's remarks, which included another strong hint that there would be no room for tax cuts in the next Budget, follow a recent lecture in which he argued deregulated Labour markets must be combined with a strengthened welfare state.

Despite objections from the Tory right to any increase in the number of benefit claimants, the chancellor intends to develop the argument further in a speech next week to the Social Market Foundation.

The theme is likely to be taken up also by Mr David Hunt, the employment secretary, in a speech tomorrow to an employment conference organised by the Trades Unions Congress.

Mr Hunt will underscore a commitment to full employment, but he will combine it with a robust attack on Labour and union support for a minimum wage instead of help for the low paid through benefits.

The chancellor's remarks coincided also with a warning by another centre-left minister – Mr Ian Lang, the Scottish secretary – that the government must resist the pressure from the Tory right for another burst of ideological radicalism.

Kenneth Clarke: no room for tax cuts in the next Budget?

'Summer smog' warning to motorists

British commuters are being asked to avoid using cars today, Michael Skapinker writes. The hot summer weather has raised air-pollution levels.

The Department of the Environment suggested that commuters use public transport or bicycles, or walk to work to help reduce the level of "summer smog". Those who do drive are asked to share cars.

The department yesterday forecast that air quality would be poor throughout England and Wales today. Scotland and Northern Ireland are expected to enjoy cleaner air.

Motorists were asked to switch off their engines if they expected to be stationary for more than a few minutes, and to avoid over-filling petrol tanks. Spilled petrol evaporates, releasing toxic hydrocarbons.

The department said air-pollution levels were unlikely to be high enough to warrant restrictions on traffic.

"Summer smog" is caused by high levels of ozone, the largest source of which is motor vehicles. The use of solvents in domestic and industrial paints and glues is another, less-important source. The department recommended water-based or low solvent paints. Cooler weather or rain over the next few days would, however, help to reduce air pollution.

The department advised against strenuous outdoor activity if poor air quality continued.

Britain in brief

Rail union likely to call for talks

The leaders of RMT, Britain's main rail union are today likely to call for a resumption in negotiations to try to resolve the signalling staff dispute that has cost Railtrack £30m in lost revenue through three one-day strikes.

The union's executive is likely to announce plans for further 24-hour stoppages after its meeting this afternoon. It will also discuss calls for for an escalation of the dispute through longer stoppages.

Railtrack, the state-owned company in charge of the network's infrastructure, has claimed that the men – traditionally a moderate group – want a settlement and not further stoppages.

Both sides made it clear last night they would like to resume negotiations as soon as possible. Mr Jimmy Knapp, the RMT's general secretary and Railtrack chairman Mr Bob Horton are due to give evidence tomorrow before the House of Commons Employment Committee. They are excpected to use the opportunity to stress their desire to settle what has turned into an intractable and complex dispute.

Forecast queries Treasury figures

The Treasury's upbeat forecast for the economy, published last week, is today described as "complacent" by a research group, the Ernst & Young Item Club.

The Item Club, the only private-sector forecaster which uses the Treasury's economic model, predicts that next year inflation will be higher and growth lower, than the Treasury expects.

Item's central forecast is that growth in gross domestic product will fall to just under 2.5 per cent next year, from 2.6 per cent this year. The Treasury's forecast for both years is 2.75 per cent.

Tractor output up by 40%

Tractor production at the the main UK plants has been running up to 40 per cent higher than last year to meet stronger demand in Britain, continental Europe and North America.

New Holland Ford, the largest of the British manufacturers, said production schedules at its plant in Basildon, Essex, provided for the production of 31,000 tractors this year, 40 per cent more than in 1993.

Massey Ferguson Tractors, whose $330m (£214.5m) takeover by Agco of Atlanta from Varity Corporation was completed last week, reported that it will sell 10,500 tractors by the time its Coventry plant closes for the holidays later this month. In the same period of last year it sold 7,500 units.

UK tractor registration figures, published today, are expected to show a 15 per cent downturn in June from May. But total tractor registrations for the first half of the year of more than 8,800 are nearly 10 per cent higher than at the same time last year.

Report backs 'whistleblowers'

Businesses could learn from practices developed in the US and reward staff for highlighting financial malpractice in the workplace, a report says today.

The report, by Public Concern at Work, an organisation which advises workplace "whistleblowers", says fraud and financial malpractice have been the most prevalent concerns of employees who have approached it for advice.

The report says: "Our impression is that the pervading culture in many organisations in the UK is that staff should mind their own business come what may."

It says this is in contrast to the US, where companies have started to reward staff for minding the company's business. The report cites Bear Sterns, the New York stockbroker, which gives staff 5 per cent of any losses they prevent when they report financial malpractice.

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THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
African Dev. Bank 11⅛% Ln. 2010 £5.5625
Anglian Water 5⅛% I.L. 2008 £3.0619
Appleby Westward 5.8p
Australian Agricultural A$0.325
BICC 13.25p
Barr & Wallace Arnold Tst. 8p
Do. A (N/Vtg) 8p
Bowthorpe 5.03p
Bridon 2.75p
Chillington Corp. 9½% Rd. Pf. 4.75p
Claremont Garments 4.5p
Croda Int. 5.45p
Gaskell 2.75p
Gencor 6% Gross Pf. R0.06
Greenway Hldgs. 1.5p
GRE 4.95p
Hambro Countrywide 0.25p
Harrisons & Crosfield 5.4p
Hughes (TJ) 1.75p
Inchcape 9p
Jourdan (Thomas) 0.5p
Kleinwort High Inc. Tst. 1.875p
Marks & Spencer Fin (Nederland) 8¼% Gtd. Bd. 1996 $412.50
Mitsubishi Warehouse 4.5% Bd. 1998 Y450000.0
NFC 1.4p
Nihon Doro Kodan 9⅛% Gtd. Bd. 1996 Ecu91.25
Nurdin & Peacock 4.44p
Pacific Dunlop 6¾% Sb. Cv. Bd. 1997 $67.50
P&O 11½% Bd 2014 £1150.0
Ptarmigan Int. Cap. Tst. 1.4p
Redland 16.75p
Rolls-Royce 3p
Sanderson Elect. 6p
Smurfit (Jefferson) IR2.7694p
South Staffs Water 35.5p
Spear (JW) 16p
Tokyu land 6.1% Bd. 1996 Y610000.0
Towles 0.25p
Do. A 0.25p
Do. 5% A Cm. Pf. 1.75p
Do. 6% B Ptg. Pf. 3.5p
Transtec 2p
Vaux Grp. 3.35p
Warner Howard 5.04p
Westpac Banking A$0.08

■ **TOMORROW**
Annuities 2½% £0.625
Annuities 2¾% £0.6875
Bank of China FRN 1998 $20.22
Bankers Inv. Tst. 4% Perp. Db. £2.0
Baring Stratton Inv. Tst. 2.29p
Beattie (J) A 4.7p
Black (A & C) 9.25p
Bourne End Properties 0.25p
Capital Gearing Tst. 0.45p
Castle Comms. 4.5p
Consolidated 2½% £0.625
Dunedin W'ldwide Inv Tst 2.4p
Gates (Frank G) 2.75p
Kingfisher 10.5p
Metropolitan Water Staines Reservoirs Joint Cmttee. 3% Db. £1.50
Nat West Bank 12½% Sb. Un. Ln. 2004 £6.25
Pacific Dunlop A$0.11
Peek 2.35p
Premark $0.40
QS Hldgs. 3.63p
RIT Capital Partners 1.51p
Scottish American Inv. 1.19p
Walker Greenbank 2.1p
Yule Catto 3.65p
Do 11½% Cm Pf 1998/2003 5.75p

■ **WEDNESDAY JULY 6**
Blockbuster Ent. $0.025
Blue Circle Inds. 6¼% Un. Ln. £3.125
BMSS 1.5p
British Gas 8.1p
Centex $0.05
Clarkson (Horace) 1p
Courtaulds 5% Cm. 1st Pf 1.75p
Do. 5½% Un. Ln. 1994/96 £2.75
Edinburgh Inv. Tst. 5.8p
English & Overseas Props 0.5p
Ferguson Int. 8.25p
German Inv. Tst. 0.08p
Havelock Europa 2p
Huntingdon Int. 0.875p
Irish Permanent Bldg. Scty. FRN 1998 £141.49
Mitsui FRN 1999 Y201111.0
Morgan Crucible 6.85p
Do. Cm. Pf. 3.75p
PWS Hldghs. 0.5p
Reckitt & Colman 11.1p
Smith (WH) 5⅛% Rd. Un. Ln. £2.5625
Smith & Nephew 3.02p
Value & Inc. Tst. 2p
Whitbread 7¾% Un. Ln. 1996/2000 £3.875
Do. 10½% Un. Ln. 2000/05 £5.25

■ **THURSDAY JULY 7**
Albion 1.6p
Allied-Lyons Fin. 6¾% Gtd. Cv. Sb. Bd. 2008 £33.75
Baird (Wm) 5.35p
British Assets Tst. 1.09p
Govett American Endeavour Fd. $0.0552
Harrington Kilbride 3.2p
Radamec 1.2p
River & Mercantile Tst. 2.25p
Scottish National Tst. 1.55p
Scottish Value Tst. 1p

■ **FRIDAY JULY 8**
Bailey (Ben) Construction 0.5p
Berry Birch & Noble 3.3p
Browning-Ferris $0.17
Chesterfield Props. 8p
City Merchants High Yld Tst 2p
EIS 9p
FR Grp. 5.1p
Gerrard & National 16p
Greenalls 5.334p
HTV 1p
Inter-American Dev. Bank 12½% Ln. 2003 £6.25
Jos Hldgs. 2.875p
Leo 2 Class B Mtg. Bckd. FRN 2032 £184.73
Metro Radio 2.25p
National Australia Bank A$0.35
Parambe 0.55p
Pegasus 3p
Pokphand (CP) (Bermuda) $0.00769
Do. (Hong Kong) HK$0.06
Do. (UK) $0.00769
Policy Portfolio 3p
Scottish Radio 4.5p
Sindall (Wm) 0.1p

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Borthwicks, Founders' Hall, 1 Cloth Fair, E.C., 11.30
Carlisle Grp., Britannia Intercontinental Hotel, Grosvenor Square, W., 11.30
Casket, The Roundhay Room, Holiday Inn, Wellington Street, Leeds, 11.00
Gates (Frank G), The Woodford Moat House, Oak Hill, Woodford Green, Essex, 12.00
Gresham House, 36, Elder Street, E., 11.00
Helene, 222 Grays Inn Road, W.C., 10.30
Jourdan (Thomas), Dartmouth House, 37 Charles St, W., 10.00
Kelt Energy, 29 Gresham Street, E.C., 10.30
RIT Capital Partners, The Royal Automobile Club, 89 Pall Mall, S.W., 12.00
BOARD MEETINGS:
Finals:
Carclo Eng.
MFI Furniture
Menzies (J)
Neepsend
Scottish & Newcastle
Interims:
Caldwell Invs.
Coda
Dwyer
Fyffes

■ ***TOMORROW***
COMPANY MEETINGS:
Betterware, Stanley House, Park Lane, Castle Vale, Birmingham, 10.00
Bourne End Properties, CAP House, 9-12 Long Lane, E.C., 12.30
German Inv. Tst., 48 Chiswell Street, E.C., 2.30
Pentos, Cafe Royal, 68 Regent Street, W., 12.00
Tie Rack, Royal Society of Arts, John Adams Street, W.C., 10.30
Value & Inc. Tst., 45 Charlotte Square, Edinburgh, 12.15
BOARD MEETINGS:
Finals:
Assoc. Nursing Services
Birkby
Break for the Border
Budgens
Court Cavendish
European Motor
Evans of Leeds
Howden
Morris Ashby
Phonelink
St. Jame's Beach Hotel
Sims Food
Sterling Publishing
Vibroplant
Worthington
Interims:
C.C.S.
Gardiner
Securicor
Security Services
Torex Hire

■ **WEDNESDAY JULY 6**
COMPANY MEETINGS:
Atkins Grp., Old Cottages, Lower Bond Street, Hinckley, 10.00
Brown (N), Ramada Hotel, Manchester, 2.30
Cedardata, 66 Wilson Street, E.C., 12.00
German Smaller Co's Inv. Tst., 48 Chiswell Street, E.C., 12.00
Land Securities, Claridges, Brook Street, W., 12.00
R.E.A. Holdgs., 7 Bedford Square, W.C., 10.00
RPC, 12 Suffolk Street, S.W., 11.30
Sainsbury (J), The Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 12.00
BOARD MEETINGS:
Finals:
Bespak
Bogod
Border TV
Dixons
Dudley Jenkins
GEC
Hamlet
Northamber
Taunton Cider
Interims:
M & W
St. Davids Inv. Tst.

■ **THURSDAY JULY 7**
COMPANY MEETINGS:
Allied-Lyons, London Hilton Hotel, Park Lane, W., 11.30
Channel Hldgs., The Chartered Accountants' Hall, Moorgate Place, E.C., 12.00
Chesterfield Properties, 38 Curzon Street, W., 11.30
Fine Art Developments, The Devonshire Arms, Bolton Abbey, Skipton, N. Yorks., 4.00
Fleming Far Eastern Inv. Tst., The Chartered Accountants' Hall, Moorgate Place, E.C., 12..00
Gerrard & National, 33 Lombard Street, E.C., 12.00
NSM, 30, Furnival St, EC, 11.00
Sindall (Wm), Gonville Hotel, Cambridge, 11.00
Westbury, Westbury House, Lansdown Rd, Ch'ltham, 12.00
BOARD MEETINGS:
Finals:
British Bloodstock Agency
Farepak
Gibbon Lyons
Gold Greenlees Trott
Greene King
Vardy (Reg)
Wilshaw
Interims:
Kleinwort Charter Fd.
P & P

■ **FRIDAY JULY 8**
COMPANY MEETINGS:
Ingham, Royal York Hotel, Station Road, York, 12.00
Oceana Cons, 25, Luke Street, E.C., 10.30
Premier Health, Butlers Wharf, 36, Shad Thames, S.E., 9.15
Reed Executive, 114 Peascod St, Windsor, Berkshire, 3.00
Smith (James) Estates, Cisswood House, Lower Breeding, H'sham, W S'sex, 11.30
UMECO, Everland Road, Hungerford, Berks., 12.00
Vosper Thornycroft, Victoria Rd, Woolston, S'thpton, 2.30
BOARD MEETINGS:
Finals:
Abtrust New Dawn Inv. Tst.
Assoc. British Eng.
Brown & Tawse
Reliance Security Interims:
Cardiff Property

Company meetings are AGMs unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONTRACTS & TENDERS

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Neil Buckley reports on how the retailing and pharmaceuticals group used textbook techniques to revive its profitability

Divide and thrive at Boots

Late in 1992, workers at Boots factories in Nottingham found themselves wearing a new badge on their overalls. The famous blue oval carrying the Boots name in cursive script was replaced by one sporting two interconnecting squiggles. At the same time, workers had to get used to the idea that they were working not for "Boots", but for a new business unit, Boots Contract Manufacturing.

The logos were visible signs of important developments in the group – changes that might have come straight from a modern management textbook, but which were greeted with suspicion inside and outside the 111-year-old company.

"There was some cynicism about the business-school speak," says a company insider. "But now people think and speak the new language."

If the changes are gaining acceptance in the group, Boots' announcement last month of a 19 per cent increase in pre-tax profits to £484m for the year to March (before exceptional items) helped to convince the outside world of their effectiveness. In spite of uncertainty surrounding the pharmaceuticals division, losses at the Do It All DIY chain, and disappointing performances from other legacies of the £900m acquisition of Ward White in 1989, it seemed that chief executive Sir James Blyth had found a way of unlocking extra value.

Working with Marakon, a Connecticut-based management consultancy, the then highly centralised Boots group split 18 months ago into 10 business units. All units have a specified market and competitors, their own management team, identity and logo.

Each draws up its own profit and loss account, balance sheet and cashflow statements, and presents an annual "prospectus" to the group centre detailing its strategy, and the capital and resources required to fulfil it. This is discussed with the group chief executive, and becomes a "strategy contract" signed by both sides.

The contract includes performance targets that determine unit managers' incentive payments.

This, says Sir James, marks a big improvement on the practice in many companies of allocating capital through annual budgetary procedures, where the amount each division receives often depends on the "baronial powers of individuals".

The group centre, meanwhile, has slimmed to 100 people in seven roles: personnel, corporate affairs, corporate development, financial management, information technology, quality control and treasury.

"Boots has tried to create an environment in which the group centre becomes a shareholder in each business unit, with only a limited range of services. But it is a demanding shareholder," says Sir James.

The centre is also responsible for new business development and restructuring, as well as exploiting synergies, or so-called "key affiliation benefits". These include the transfer of retail skills between businesses, development of the Boots brand, vertical integration, and the sharing of information.

Sir James sums up the changes: "What used to happen at board meetings was that directors would spend a great deal of time talking about numbers. Now all the discussion is about strategy."

The goal of that strategy, as with any public company, is maximising shareholder value. Boots defines this specifically as "maximising the long-term cashflow of each business unit".

According to Sir James, the concentration on free cashflow reflects a growing shift by institutional investors from looking at earnings per share. "There is a much stronger correlation between cashflow per share and market value than between earnings per share growth and market value," he suggests.

The new structure at Boots also makes it easier for insiders and outsiders to assess the contribution of different parts of the business.

While the future of the prescription pharmaceuticals arm is under review following the withdrawal of the Manoplax heart drug last year, Boots Healthcare International, the over-the-counter drugs arm, and Boots Contract Manufacturing, which manufactures products for the other two as well as health and beauty products, are emerging as businesses with great potential.

"Historically, for 25 years, we had been seen as a cost," says John Watson, managing director of BCM. "Now we are seen as a profit."

BCM's operating profits rose by nearly a quarter last year to £16.2m, and as a standalone business it is the third-biggesst manufacturer of its type in Europe. Eighty per cent of its output goes to other Boots companies, 60 per cent to Boots the Chemists alone. It already makes own-label products for several of the UK's large grocery retailers, and is keen to expand its third-party business.

Boots Healthcare International, whose brands include such well-known products as Optrex, Nurofen and Strepsils, has also been earmarked for expansion. BHI will concentrate on developing four product groups – cough and cold remedies, pain relief, eye care and skin care – and plans acquisitions in France, Italy and Germany.

The dominant business unit, however, remains Boots the Chemists, responsible for 60 per cent of group operating profits. Its recent results – a 13 per cent profit rise to £322m – suggest it is weathering the everyday-low-pricing strategy operated by Superdrug, which is owned by the rival Kingfisher group.

The resilience of BTC stems partly from changes wrought by managing director Gordon Hourston.

In 1986 BTC was in danger of losing its identity and focus, with larger stores carrying everything from toothpaste to televisions. A wide variation in store sizes also made functions such as inventory management difficult.

Hourston's solution was to split the business in half, with stores larger than 600 sq m operating separately. He also divided the central buying and marketing department into business centres responsible for particular product areas.

Under Hourston, Boots the Chemists became a pioneer of retail systems and one of the biggest users of electronic point-of-sale technology in Europe.

These moves helped BTC reduce stockholding and operating costs. They also increased flexibility, allowing it to respond almost instantly to price initiatives by competitors, simply by reprogramming its computer, rather than having sales assistants alter prices by hand. Till sales information allows BTC to determine the profit contribution of all products and stop or reduce unprofitable lines – one famous example being pet food.

Mistakes were made – Boots sometimes overlooked the fact that an unprofitable product might nevertheless be attracting shoppers to the store. But the final result was a more focused range, with the positioning and shelf space of each product in each store controlled by a computer system called Spaceman.

Another important strategy has been the development of the Boots brand. Own-label products are important as they cost retailers less than proprietary brands, and so carry a bigger profit margin or the same cash profit at a lower price. Own-label products now account for 43 per cent of BTC's sales – one-third of them made by Boots Contract Manufacturing.

George Charters, director of merchandise and marketing, divides own-label into three categories:

- Basic products, such as shampoo, which compete with rivals' own-label products.
- Brand competitors, such as the shampoo-and-conditioner Duo, designed to compete with proprietary brands, but at prices 5 to 10 per cent cheaper.
- Value-added products, such as the global and natural collections, which compete with rival retailer Body Shop.

Charters says the third area, which has the highest margin, is the fastest growing. That means operating margins, which have more than doubled from 5 per cent in 1985 to 11.5 per cent last year, should still have room for growth.

There is also scope for physical growth. BTC has identified 240 potential sites for more small stores, and it has a pilot programme of opening shops within superstores operated by J Sainsbury, the UK's biggest grocery retailer.

The hope now is that Boots the Chemists' retailing skills can be passed to the group's less successful retail chains – Halfords, Children's World, Fads, and Do It All.

A longer-term aspiration is that countries such as France, perhaps under pressure from the European Commission, might relax restrictions on companies holding multiple pharmacy licences, allowing Boots the Chemists to take its business overseas.

Pictured above: Sir James Blyth (left) and Gordon Hourston

DESERT ISLAND MANAGER

Julia Cleverdon

The 44-year-old chief executive of Business in the Community, the charity which under the presidency of the Prince of Wales seeks to involve companies more closely in the community, would not enjoy a lonely sojourn on a desert island. Renowned for her organisational skills and strong sense of purpose, she has too much to do to sunbathe on a beach.

How would you keep yourself occupied?
"It would be a very great strain. I would probably turn to gardening, getting vegetables into straight rows. I would need to have some feeling of achievement – I could not go to bed and sleep well after a day just lounging on the beach."

How would you cope with loneliness?
"I would say my prayers and reflect on my family and comfort myself with a marvellous range of memories about them and my friends."

What additional item would you need for your beachside office beside a fax and a telephone?
"I can have a fax and a telephone? Well, that changes things. I would lay and be in touch with people who are doing things. I would be ringing up the entrepreneurs who have come through our Community Enterprise awards, asking them how they were making a difference to their local communities. An additional item you say? I would have a dictaphone to try out my speeches because I normally never have time to plan them."

If you could take one person who would that be?
"My husband, John Garnett. The other person I would like to take would be my grandfather, James Windsor Lewis, a vicar of Aberdare in South Wales in the 1930s. I never met him but my mother says I am very like him, not least in the way we arrange our finances. He was a great taker-up of causes. I would love to talk to him."

One luxury?
"Photographs spanning the years of all the family and my children, Charity and Victoria."

One film?
"*Four Weddings and a Funeral*. I roared with laughter, after having had a former marriage myself."

One book?
"Trollope, Anthony rather than Joanna. Can I take the whole of his *Barchester Chronicles*? I adore the politics and the factions. They mirror the world that Business in the Community has to tread through. Life does not change."

Some music?
"Stirring Mozart operas I think. I listen to one a week on my exercise bike which I use every morning."

How would you like to be remembered if you were unable to get off the island?
"As somebody who tried to invest in people. One of the most important leadership roles is to grow people. It is very much like gardening. You tend them and apply fertiliser. But sometimes you have to prune to make them grow stronger."

Lisa Wood

Cooking up deals in a motorway café

LUCY KELLAWAY

Next time you find yourself having a cup of coffee and a stale Danish pastry in a motorway service station, look around you. What are those men with briefcases doing at the next table? Are they travelling salesmen comparing double glazing brochures? Or are they tycoons stitching together a secret deal?

Forget the Savoy Grill: big business these days is done in motorway cafés. This information comes to me from a senior partner at one of the biggest accountancy firms, who spends half his life travelling from a Welcome Break on the M25 to a Happy Eater off the M1.

If you want to be discreet, smart restaurants are out, as are the offices of the other party and their advisers. To meet in any of these places would be tantamount to issuing a press release. The service station is the ideal solution: handy yet anonymous. Everyone else is too intent on bolting their snack and getting back on the road to wonder what fellow travellers are up to.

Alternatively, you could meet in the middle of a field where the likelihood of running into journalists or business acquaintances is even lower. But you might look conspicuous there, and you couldn't get a cup of coffee – not even a bad one.

We all know about downsizing, rightsizing, rationalising and other euphemisms for firing people. Yet until last week I had not come across "involuntary separation". Nor had the 1,200 Du Pont employees who on Thursday were bounced into this process by their employer.

There is no acceptable way of telling people that they have been sacked, but companies nevertheless continue to search for the perfect, painless phrase. According to consultancy Drake Deam Morin, there are more than 50 clichés in common use among managers giving their workers the chop.

They talk of "careers that have plateaued", of "decruitment", "deselection" and "displacement". They speak of "exiting the organisation", of the "opportunity to look elsewhere", of "releasing people", of "retrenchment", of employees being "surplus to requirements". They say: "your future lies elsewhere" or "we are re-engineering".

The aim is to place the moral responsibility somewhere other than on the employer. Du Pont's "involuntary separation" is particularly blatant, and well it might be. The company has its motto – Part of Our Lives – to live up to.

I had a leisurely time last week, having picked up the extra second on Friday courtesy of the Central Bureau of the International Earth Rotation Service. Now that I have acquired the taste for additional time, I long for a whole extra hour – which would bring Britain into line with the rest of Europe. It is bad enough trying to get hold of anyone in this country during the business day – they are permanently in a meeting, out at lunch, or travelling from one motorway service station to another.

But pinning down anyone on the Continent is more or less impossible. There are only four hours – between 9 and 11 in the morning and 2 and 4 in the afternoon – when there is any point in even trying. The rest of the time either side is at lunch or in transit somewhere.

Technology buffs would have you believe that in the age of the virtual company people can be reached 24 hours a day, so time zones don't matter. As someone who has just bought an answering machine, I have found out this is nonsense. The beauty of technology is that when properly used it makes you less, rather than more, available.

On my interminable journey into work on Wednesday I read the Financial Times Annual Report Service, trying to guess what business each company was in from the pictures on their annual reports.

I could just see the link between autumn leaves and the French funeral service company, OGF/PFG. But what has the smiling black man in a jungle wearing a sheet over his shoulder got to do with Norsk Hydro, the Norwegian oil and metals group? Why have Crédit Suisse and Telus Corporation both chosen pictures of rowers for their annual reports? Why does Scor, the French reinsurance company, have a child's drawing of tents and elephants on the cover, or Sema, the information technology company, have a botanical drawing of a bud?

If you strain, you can make the connection between rowing and team work, or buds and growth. But why should investors have to strain? When it comes to annual reports we are not talking about metaphors, but about hard facts.

My favourite reports have a clear picture of the product on the cover, or failing that, the company's name and the date. This information should also be down the spine, and the format should not change from year to year. You would have thought this was too obvious to be worth saying. But ICI has chosen a different style every year for the last five, each worse than the last. Last year it just said "annual report" on the spine. This year, nothing at all.

Downside of the hero's return

SPORT: LAURA THOMPSON

I suppose I should have been sorry that Nigel Mansell left the French Grand Prix with only two thirds of it completed. But there was, to me, something unseemly in the atmosphere permeating in the build up to yesterday's race.

I know there is no reason why Nigel Mansell should not have taken a day out from Indycar racing, in order to drive the Williams-Renault car. Nobody can blame the team for wanting to borrow so good a driver, or for Mansell for wanting to make such a well choreographed appearance, or the motor racing fans for wanting one of their familiar heroes to return to their sport's depleted stage.

But did nobody feel just a little uneasy with the whole episode? Those lovers of the sport who were following events with such fascination – were they the same people who, nine weeks earlier, had mourned so assiduously the man whose place Mansell was now filling?

Of course the Williams team could not let the loss of Ayrton Senna bring its season to an end. It had a business to run, one which deals, however reluctantly, in death. By giving Senna's place to Damon Hill and bringing in a young unknown, David Coulthard, to drive the number two car, Williams handled the tragedy in the most decent way possible.

Yet the temptation to lure a big name to the team was very strong (stronger according to press reports, for Renault than for Williams); and I shall hate to sound as if I believe myself to have finer feelings than those who orchestrated so popular a manoeuvre.

But yesterday's Grand Prix produced the sense that Senna's death, had, however obscurely, led to an event which was a cause for celebration. Necessity decreed that the empty place on the Williams team must be filled. Yet should it have been filled with so much publicity, so great an eagerness to forget motor racing's terrible recent past?

Perhaps it is hypocritical to say that it should not. But the tone in which the race was previewed felt strange to me; and doubly strange for the fact that all this excitement had been disseminated by Nigel Mansell.

When Mansell was a fixture in Formula One, who, apart from his army of flag-waving fans, would have believed that he could ever have commanded such a reaction? Who, apart from those same fans, would have thought that this graceless figure would, one day, be regarded as the natural replacement for the aristocratic Senna?

By leaving Formula One, Mansell finally achieved what he had never been able to do when he was part of it: he made it want him. When he was on the Grand Prix circuit, he maintained an air of being hard done by which was hugely irritating in a multi-millionaire.

Yet there was a genuine sense of being under-appreciated, which was proved to have some foundation when Mansell was virtually first to make way for Alain Prost on the Williams team, despite the fact that he had just won the world championship.

This incident – the truth of which has never come out – finally compelled Mansell to do what he had threatened to do several times before: retire from Formula One. Nobody believed that he would do it, thinking instead that this was another one of his uncharismatic shows of temperament. But he left, and he made a success in Indycar racing, and ever since then Formula One has wanted him back.

Why? One cannot help wondering. Even though Mansell's performance itself was a non-event, the build up to the French Grand Prix created an image of a conquering hero returning to his people. This image would certainly be re-created if Mansell decided to make appearances at subsequent races. Hype, of course, has helped; But it is not all hype. Formula One wanted Mansell back because it thought that he could help to salvage an almost ruined season. Strange as it may seem, this resolutely unprepossessing man is popular enough to do it.

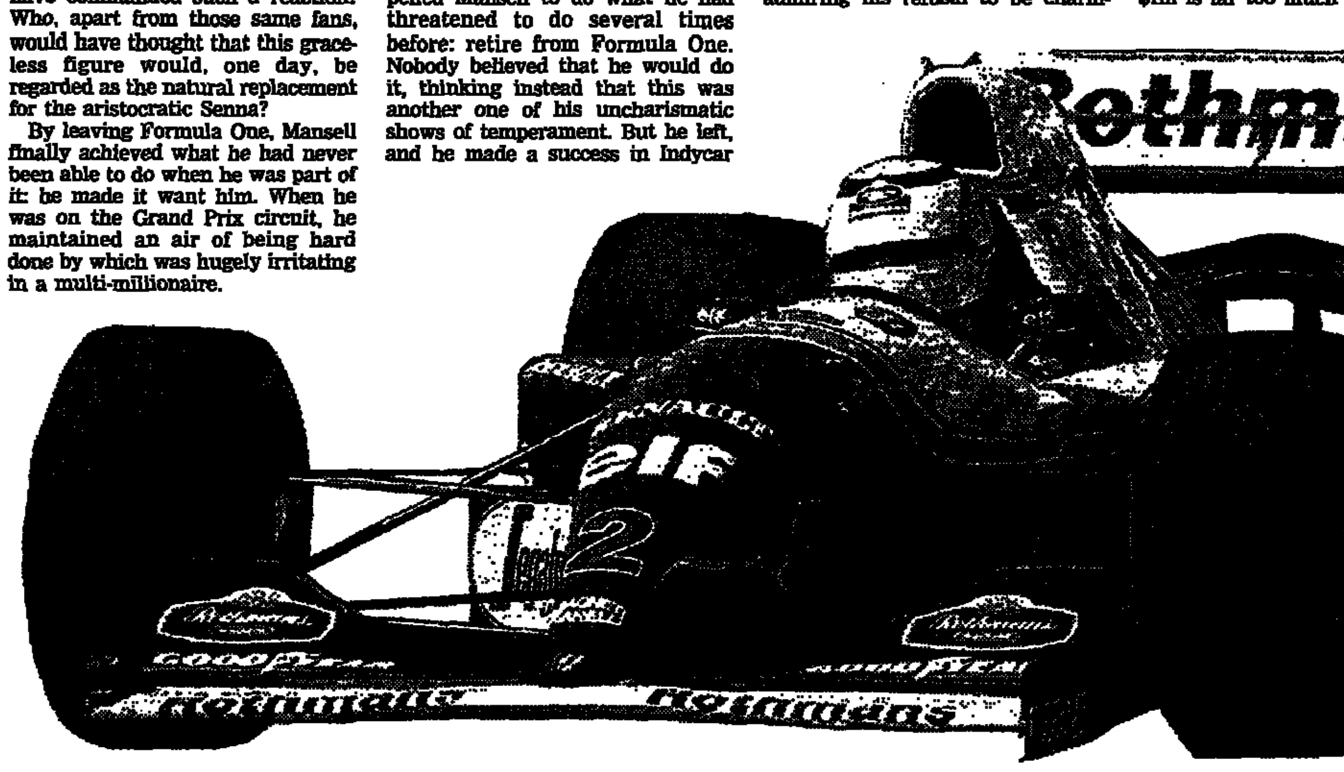
I have never heard anyone say a good word for Nigel Mansell; and yet people seem to like him. They criticise him for his demeanour, while, at the same time, almost admiring his refusal to be charming, or aspire towards the more gracious life that celebrity status can bring, or be anything other than a richer version of the man he has always been.

It may be that, in some unconscious way, people connect these traits with Mansell's refusal to give up on a race. Ayrton Senna was equally obdurate but his determination had an other worldly quality, which alienated people because they could not understand it. Mansell's is absolutely of this world; gritty, grubby, gutsy. It is the determination of the nobody who will not be done down by the somebodys.

People see themselves – or part of themselves – in this. And they responded when Mansell made his comeback. They know that he doesn't need the money and that $1m is far too much for a few days of unsuccessful work. But they sensed that he wanted to prove a point; that he wanted Formula One to want him. They know that he will want to go on proving points all his life, whatever the cost might be.

The exotic, mysterious Ayrton Senna had little in common with the dour, unglamorous Nigel Mansell. But Senna, too, dared all whatever the cost, and for this reason it is not, after all, so inappropriate that Mansell should have been driving in his place yesterday.

Perhaps Senna would have seen the fitness of it, behind all the misplaced celebrations. To me he was the dominant figure at the French Grand Prix, his sombre brown stare gazing at the events he had set in motion; And Michael Schumacher, the smiling young man that neither he nor Mansell could catch.



SCHOOLS

Trading places

Several recession-hit independent schools will close for good at the end of this school year. Parents caught up in a closure will face a dilemma over choosing a new school, for there will be no shortage of other schools offering places.

Those with daughters at Felixstowe College already know the phenomenon. A strong hint the school might be considering closure came about a month before it was formally announced, when they received a letter from another local private school, Amberfield, suggesting they might want to move their girls there.

However, Felixstowe was in a stronger position than many schools when they close. As a member of Allied Schools, a group which also includes Stowe and Harrogate Ladies' College, it was able to steer parents in the direction of other schools.

Rather more anger was generated at the Waterside School in Bishops Stortford, where the staff were dismissed by the receiver two weeks ago after the school had become insolvent. One group of parents distributed a press release claiming children had woken "to find the school had gone overnight".

Amanda Robertson of Coopers & Lybrand, the receiver, said she was "deeply angered" by this reaction. She said she had made it "blindingly obvious" to parents at a meeting in the second week of June that the school had a "zero per cent chance" of surviving beyond the following Tuesday. Invigilators were found for those pupils who had not finished their GCSE exams, and school meals stayed available until the end of the week.

But it is difficult to close a school without pain for the pupils. The only way for parents to avoid this is to ask some searching questions about the accounts before enrolling children at a new school. According to Robertson: "Waterside's accounts showed fat losses each year and were publicly available."

John Authers

FINANCE

Expats beware

If you are a UK expatriate, you are entitled to receive gross interest from your UK bank and building society after completing a form to declare your non-resident status. But the ability to receive gross *income does not mean it is* tax-exempt, since most UK sources of income are taxable.

The interest can only be excluded from liability to tax under extra-statutory concession B13 but this involves considerable restrictions.

Donald Elkin, director of Wilfred T Fry Ltd, of Worthing, West Sussex, points out that any interest you receive during "broken" years of departure from and arrival in the UK, will be fully taxable. Moreover, in intervening years of non-residence, allowances will be set off against the gross paid interest you thought was exempt.

If the interest is your only UK income, these will not be a problem. But if you have other sources, such as a pension or are renting out property, Elkin says you stand to suffer an unnecessary loss: "Suppose, for example, that while non-resident you receive UK letting profits of £3,400 per annum and gross paid building society interest of £3,000. You might well have assumed you would have no tax liability, the £3,000 interest being exempt and the £3,400 letting profit fully covered by your £3,445 personal allowance. In fact, that allowance will be set off first against the interest, leaving only £445 to reduce the liability on the letting profit. You would, therefore, have to pay tax on £2,955 (£3,400 minus £445) which at 25 per cent equals £738.75."

Fortunately, this is a problem from which it is easy to escape simply by transferring your account outside the UK. But it is always worth taking tax advice before doing so.

Most UK banks and many building societies have offshore branches in the Channel Islands or the Isle of Man. But remember the UK's Deposit Protection Scheme for banks and building societies does not operate outside mainland Britain, so it is important to stick to reputable depositors.

Of the three main offshore islands, only the Isle of Man has a comparable scheme, which protects up to 75 per cent of the first £20,000. If you are with a building society, the Building Societies Act requires all the liabilities of a subsidiary to be guaranteed by the UK parent.

Scheherazade Daneshkhu

HEALTH

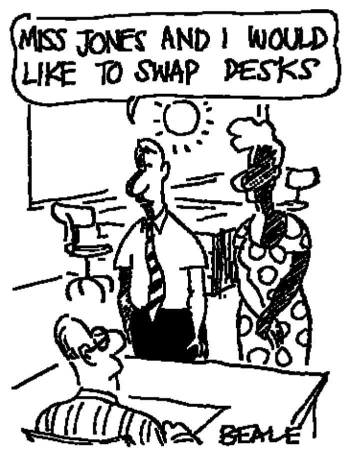
Sun downers

The sun may be the best tonic for blues on the job. But it can also cause long-term damage to those who worship it too much, in the form of premature ageing and skin cancer.

"Prevention is always better than cure," says Dr Mike McKiernan, director of health, safety and environment at Lucas Industries in Birmingham. Dr McKiernan, who learned of the severe damage sun can do while working in Australia, believes a current health promotion campaign from Down Under, which advises sunbathers to "slip, slop, slap" (slip on a T-shirt, slop on some sun cream and slap on a hat) is the best pre-emptive measure for those who want to play outside when the winter gloom lifts.

Using a protective sun cream with a high sun protection factor (SPF) is vital. For those with light skins, Dr John Hawk, consultant dermatologist for sun related skin diseases at the St John's Institute, recommends creams with an SPF factor of 15 to 20. People with darker skins may opt for weaker protection, though a high SPf can never hurt.

Summer frolickers may choose between sun blocks based on chemical or physical protection. Those with chemical components absorb the sun's dangerous ultraviolet rays, while physical blocks contain a reflective barrier. For cosmetic reasons, most people may prefer chemically based



creams, because those with reflective blocks tend to leave an opaque sheen on the skin. But for those with sensitive skin, chemically based creams may cause uncomfortable rashes.

In the early days of summer, unprotected sun exposure should be limited to no more than half hour stretches, especially during the peak hours of sunlight, around noon to 2 pm in the UK. If holidaying in hotter areas like the Mediterranean, Dr McKiernan advises: "Add an extra hour on either side. Take that siesta from 11am to 3pm."

Even one bad burn could lead to serious problems later in life. "The skin never forgets," says Dr McKiernan.

If warts, moles or other such lesions do appear on the body, or if existing ones change shape, colour or start to itch, seek medical advice immediately.

Motoko Rich

READING MATTER

Going for brokers

The Bucks Stop Here by Jim Parton. Published by Simon & Chuster. paperback, £5.99. 252pp

"I couldn't see the point of suffering in the City of London if the sums I earned were only mildly revolting as opposed to completely obscene." It's the kind of opening that hints at plenty of juice to come; Parton delivers on the promise.

There's always the fear with this kind of book – self-confessed hopeless stockbroker bares soul and puts boot into former employers – that embarrassment or failure to amuse lurk over the very next page. Relax. Parton avoids those sins. He has written a very funny book, required reading for all the forlorn City saps who are still playing the game.

Parton kicks off with him married to a Japanese television workaholic, five years into a City broking life, employed by UBS Phillips and Drew. His facility with the Japanese language plus a modicum of chutzpah has persuaded successive ignorant City firms that he will one day land them a tidal wave of Japanese cash, as eager Tokyo investors suddenly discover European equities.

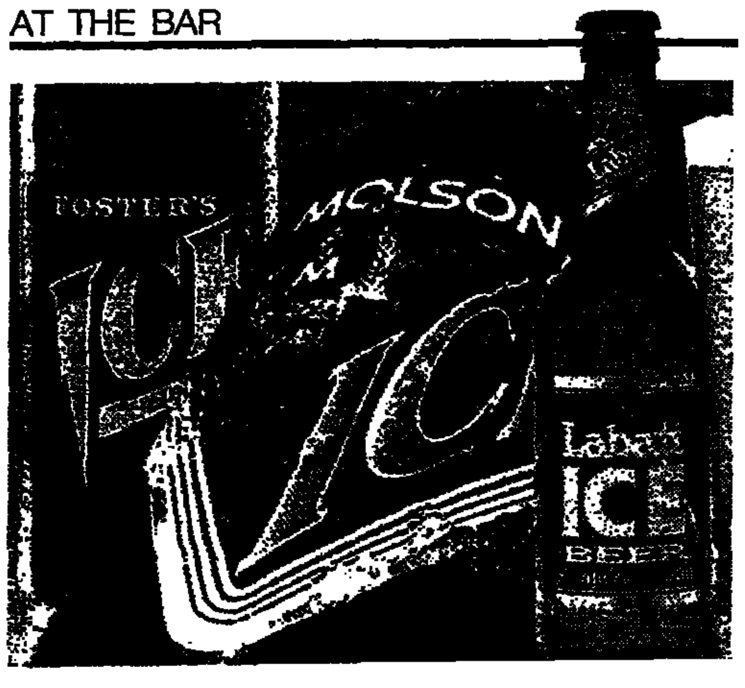
What goes up – Parton freely admits he was never good enough to go very far up – must come down. He nosedives into unemployment and, yes, does discover an alternate life, playing the piano, writing, enjoying himself without loads of dosh.

That might sound twee. But buckets of black humour, ready self-criticism, and side-swipes at City taboos – including this newspaper – suffocate sentimentality on sight. It's just too funny, even when things turn sombre; for instance, when Parton's wife dumps him and walks off with their child.

Everyone deservedly gets a going-over: broking firms; headhunters – Parton calls them all "Donald" since they are individually indistinguishable; even the 'colleague' who told Parton that he would not speak to him if he wore a checked shirt to the office. So, for the price of an up-market City sandwich you can buy an afternoon's wonderful hilarity, far funnier and less pompous than *Liar's Poker*.

Gary Mead

AT THE BAR



The ice men cometh

If you haven't heard of ice beer you will. It's no good muttering "fad" and ordering something else. Putting ice cubes in your pint won't do either. Ice beer is brewed like that – it's served *sans glace*.

And if the North American consumer is anything to go by, it tastes just great. A year after its launch, ice beer has 12 per cent of the Canadian market: 2 per cent in the US. But it isn't cheap – I paid £4.90p ($7.60) for two bottles at a central London pub.

Labatt's qoutes £1.50-£1.80 as a pub price range. Molson £1.90-£2.00 and Foster's £4.79 for a four pack from the off licence. All are aiming for the trendy premium packaged lager market. Bottling is fashionable and the buzz word is ICE.

Of course ice beer is a sophisticated product and the result of various brewing processes too complicated to worry about – suffice to say they all involve super-chilling or freezing to produce ice crystals. All should be served cold: Labatt's recommends 42F.

When you and I get the stuff, the crystals have gone. Taking the ice out can flush out proteins and compounds and 'improve' the taste and freshness and/or strengthen the beer. Very little is new in brewing – the Canadian's used to leave cider out in buckets to freeze, and after removing the ice, would fall around for weeks on the resulting concentrate.

What's left after you take the ice out of Labatt Ice Beer, Molson Ice, and Foster's Ice is a premium lager which is one of two things. If you're the brewer its smooth, clean, clear, crisp, and strong at between 5 and 5.6 per cent alcohol by volume. If you're the consumer the word bland may creep into your over-heated brain: the memory of drinking defrosted beer from the fridge lingers around the taste buds.

My own judgment is that the lack of after-taste does make ice beer very smooth. It's an odd sensation, the tingling clean taste on the tongue just fades away. Then nothing happens. The alcohol content provides taste. It is refreshing, and different, and on a blazing summer day the word ICE on the label is going to empty a few shelves.

If the market takes off expect further competition in the UK.

Jim Kelly

EATING OUT

Award winning spontaneity

When Fredy Girardet won three rosettes last November in Michelin's first guide to Swiss restaurants, he reacted simply, "Well, we will just have to work harder."

Certainly, the 57-year-old master of *cuisine spontanée* shows no signs of fatigue. Slim and fit – he cycles regularly in the nearby Jura mountains – he produces wonderful surprises and still inspires younger chefs throughout the world.

I first became aware of Girardet through his student Kiyomi Mikuni, whose Hôtel de Mikuni became a favourite occasional retreat from Japanese fare while posted in Tokyo.

Stepping into the master's discreet restaurant on a quiet street in Crissier just north of Lausanne a few nights ago, the connection was immediately clear. The dining room itself is plain, with only a dozen well spaced tables and a few austere abstract/landscape paintings by Girardet's friend Yves Mafli on the walls. Nothing distracts from the cuisine.

"I see the echoes," I said clumsily to Girardet as he made his first of two cruises through the dining room. "Mikuni is echoing me," he corrected gently.

We will not soon forget his foie gras with grapes jellied in Madiera or the half cooked wild salmon with rough sea salt kernels sprinkled on top or even the astonishing variety of homemade breads. The lime and raspberry soufflé alone would be worth a detour.

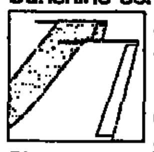
Because the restaurant is so small, it is best to book well in advance for Girardet. I rang in early April for a mid-June evening and found Thursdays, Fridays and Saturdays were already fully booked.

Girardet, 1, rue d'Yverdon, 1023 Crissier, Switzerland. Tel (41-21) 634-0505. A la carte or set menus at SFr165 or SFr180. No credit cards. Closed Sundays, Mondays, three weeks from the last Saturday in July, three weeks from Christmas day.

Ian Rodger in Zurich

BUSINESS TRAVEL

Sunshine service



American Airlines is to stop operating its daily service between Glasgow and Chicago on a year-round basis, *writes James Buxton*. The service, using a Boeing 767, will end on November 2 and resume in mid-May next year for six months.

American says that, although summer holiday traffic is good, the service has lost more than \$3.5m each winter, making it unprofitable overall.

The decision is seen as a blow to transatlantic air services from Scotland.

Russian travel

Thomas Cook has opened what it says is the first business travel management centre in Russia.

Thomas Cook Rus, in Moscow, provides travel planning, bookings and visas for companies doing business in Russia. It also plans to offer foreign exchange facilities.

Mr Bill Kirkwood, sales and marketing director for Thomas Cook Travel Management in Europe, says that, while other travel groups have had a presence in Moscow for a number of years, they do not offer a comprehensive service for business travellers.

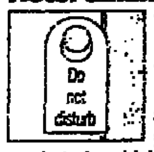
Thomas Cook Rus says its clients so far include IBM, Schlumberger, Deutsche Bank, Bosch and Mistubishi.

Bucket shop hedge

The UK's Civil Aviation Authority has published proposals to protect travellers who buy airline tickets in bucket shops, *writes Michael Skapinker*. Its proposals will require shops selling discounted scheduled flights to have their own Air Travel Organisers' Licences (Atol).

The Atol system protects passengers from losing their money or being stranded abroad if their tour operator fails. Tour operators who sell air-based trips are required by the CAA to lodge a bond – a financial guarantee provided by a bank or insurance company.

Hotel alliances



The hotel industry will follow airlines in forming alliances to penetrate markets in which they are currently weak, according to Mr Michael Hirst, former chairman of Hilton International.

Mr Hirst told a recent conference in New York that international hotel groups would find it difficult to expand in Asian markets by buying individual properties. Building new hotels would also be difficult. Developing a hotel from scratch required at least three years. Hotel groups would thus, he said, have to form alliances with strong regional companies.

Flying office

The days when airline travel represented a break from the stresses of the office are over, according to Inmarsat, the international satellite organisation.

Already, 30 airlines have begun to install telephones on their aircraft, with some also offering facsimile machines. By the end of the century, Inmarsat says, airline passengers will have all the facilities they now have in their offices.

An Inmarsat global pager is being developed. So is a hand-held satellite telephone. Passengers on some airlines can already use on-line notebook computers.

Expense account

Karachi, Istanbul and Caracas are the least expensive cities for executives, according to Business Traveller magazine. Tokyo and Moscow are the most expensive, while London is 13th on the list of the dearest destinations and Dublin 37th.

The figures are based on what it costs for a single room in a four-star hotel with continental breakfast. It also takes into account soft drinks, taxis and other incidental costs.

The daily costs in Tokyo are about £319, in London they are just over £200, while the Dublin figure is about £155.

Those looking for a cheap stay could try Caracas (£84 a day), Karachi (£80) or Istanbul (£86).

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	35	36	30	26	27
Hong Kong	32	32	32	33	33
London	28	28	26	27	25
Frankfurt	36	33	33	30	30
New York	[illegible]	32	34	33	35
L Angeles	26	24	32	30	27
Milan	37	36	34	35	32
Paris	34	30	30	29	30
Zurich	33	31	30	27	27

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

Robert Graham gives an aficionado's guide to Naples, scene of this week's G7 summit

Grandeur and chaos

The Bourbons used to make their regal entry into Naples by sea. So did Admiral Nelson in search of Lady Hamilton. It is, to this day, also the most convenient way to reach the heart of Naples.

The heads of the G-7 countries will, however, arrive by air for their meeting this week. This is, yes, more in tune with the times, but air travel misses the sweep of the Bay of Naples with the volcanic cone of Vesuvius in the background.

Unfortunately, most people's impressions of Naples are coloured by negative experiences within minutes of setting foot at its airport or two railway stations. This is unfortunate because Naples is unquestionably the grandest, if not also the most maligned and most chaotic, of the great Mediterranean port cities. Naples and the Neapolitans deserve a second, even a third, chance.

The airport ordeal begins even before landing, as the aircraft navigates a perilous path between illegally built apartment blocks and the tops of ancient chemical plants that ring the runway. Then comes the wait for baggage which has a habit of losing itself. Be quick to report luggage that does not arrive: I was once allowed to search the holds of five parked aircraft and, eventually, located the lost piece about to be dispatched to Bari.

Luggage in hand, it is best to opt for a taxi. The cardinal rule about Naples taxis – who consider any passenger, especially one from out of town, fair game – is *always* to check the metre works and is clocked on. This is particularly adviseable for the journey to central Naples, which takes at least 45 minutes.

Here is a fairly standard routine between passenger and driver: "Could you put on the metre?"

"I'm afraid it's not working."

At this point you threaten to get out of the taxi.

If done with good humour, you will immediately be called *Dottò* (Doctor – a sign of respect) and then be treated to a display of Neopolitan driving – something to be experienced, not described. But you may still be cheated with some spurious supplementary charge.

Naples offers two railway stations. Napoli Centrali is the main terminal. But Centrali suffers the inconveniences of being surrounded by a square with often grid-locked traffic and a high proportion of assorted eastern European alms-seekers and local importuners. It is often easier to go to Napoli Mergellina which is close to the sea front, less crowded and allows access to the main hotel area in less than 10 minutes.

Inter-city trains only ever stop at one of these two stations. However, there is a useful underground link between them – the only part of the city's long-promised metro.

Public transport is erratic and crowded, although in less than six months a new mayor

AP

Castel Dell'Ovo's ancient hulk looks out over the Bay of Naples

has performed wonders. He has managed to reduce the appalling traffic jams of the past merely by making the traffic police work. A large number were found to have been clocking in, only to go home with the excuse that the traffic was so bad that their presence made no difference. The G-7 summit is an additional incentive to spruce up the city and improve its workings.

The city centre is usually easier and more enjoyable to negotiate on foot. Going by bus can be an uncertain experience: it is not always easy to buy a ticket before boarding, as passengers are meant to, but board anyway because no one will bother to check.

The best of Naples hotels are on the corniche of Via Partenope, overlooking a small marina and the ancient hulk of the Castel Dell'Ovo, with the Bay and Capri in the distance. Prices are more or less the same, with the Vesuvio at the top of the range – over L350,000 (\$220) a night. The Santa Lucia is well-decorated with Neapolitan antiques and has helpful staff, while the Excelsior appeals to those attracted by faded grandeur. If you want to pay less, look for the smaller hotels in Chiaia.

Via Partenope corniche has the advantage of being fairly self-contained. In front, there are a good 15 restaurants around the Castel Dell'Ovo marina, all serving good Neapolitan cuisine.

If you come to Naples on business, it is a shame not to see some of the sights. The priority must be the Museo Archeologico (one of the world's top museums, with the finest finds from Pompei). There is a surfeit of churches, Roman and Greek ruins at Pausilypon, palaces and art collections. The Capodimonte Museum, the most important art gallery, is currently closed for restoration.

For those with time to go to Pompei, it can be reached by train from Napoli Centrale. The journey, scheduled to last 45 minutes, in the manner of Naples often takes longer.

Time travel to a flexible clock

Michael Skapinker divulges how he avoids jet lag

I had resigned myself to watching US chat shows with presenters who burst into tears, when Lulu came to my rescue.

I became an ardent viewer of chat shows on my last visit to the US. They appeared on television in the early hours, and from 2.20am onwards I was wide awake in my hotel room. Back home in London, it was 7.20am, my usual waking time.

The chat shows were compelling. In one, the host asked his guest if she had had an unhappy childhood. She had. The host wept copiously, miraculously perking up in time for the commercial break.

During the day, I paid for this indulgence. I battled to stay awake during interviews, felt hungry when I would have been eating in London, and had no appetite when I had to join people for meals in the US.

There was, I thought, nothing that could be done about jet lag, until I read a book called *Around the World in Eighty Ways*, published by Wexas International, a club which organises travel for its members. The book is full of famous people's travel tips. Lulu, the pop star, gives this remedy for jet lag: do not eat on the aircraft.

Diana Rigg, the actress, offers the same advice: "While on board, eat as little as possible and drink as much as possible, preferably non-alcoholic. Sounds dull, but it works."

I have tried this twice now, on long trips in opposite directions. It is dull, but being in an aircraft is seldom thrilling. And it does work.

On a day-time flight to the Caribbean, I did not avoid food entirely, eating just enough to keep hunger at bay. I drank every non-alcoholic drink I was offered. I had no jet lag at all.

I followed the same routine on a trip to Hong Kong, with the added challenge that this was an overnight flight. I arrived in Hong Kong in mid-morning, having snatched a few hours sleep on the flight. I went straight to a welcome lunch and then on to two interviews, finishing in the early evening. I was slightly weary, but without the feeling that my mind and stomach were operating to a different clock.

This is not the only way to avoid jet lag. In the same book, the actress Maureen Lipman says she heard it was a good idea to put brown wrapping paper, cut to the shape of an inner sole, inside your socks.

She does not say whether she has tried it herself. Has anyone? *Does it work?* Answers on this or any other jet lag remedy to me on fax 071-873-4343.

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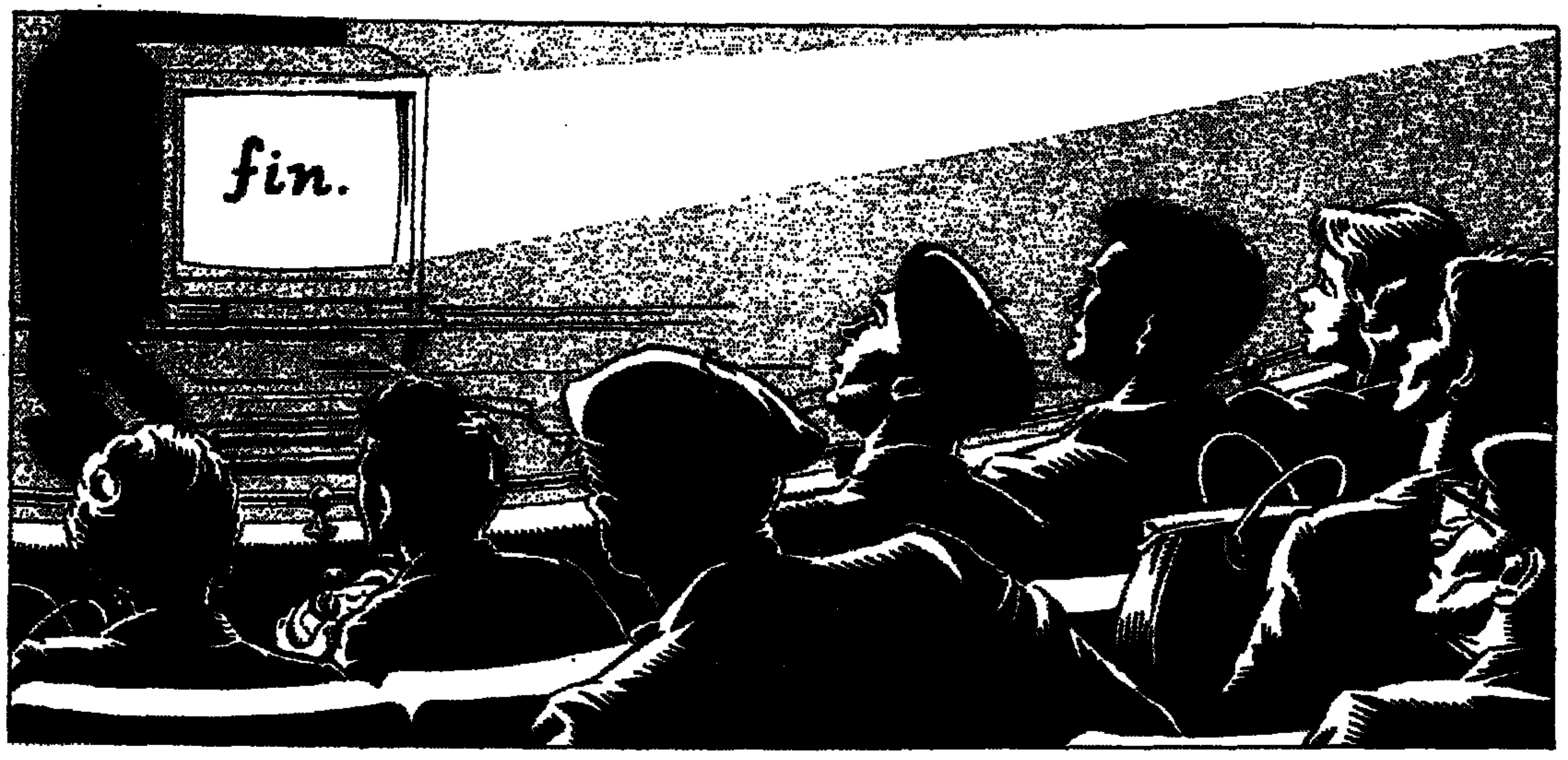


The French connection

John Ridding looks at the country's growing multimedia businesses

For the past month, Parisian movie buffs have had a new source of satisfaction. By popping a card in their visiopass cable box, they can link up to a new pay-per-view movie channel launched by France Télécom and its multimedia partners. For FFr29 (£3.45), excluding the rental cost of the cable connection, subscribers can save a trip to the cinema.

The pay-per-view movie channel is one of the services leaving the drawing board of France Télécom Multimedia. Set up in March, its aim is to keep pace with the international multimedia industry, particularly in the US, and exploit what the state-owned telecommunications company sees as "a major growth market" for the group. With the liberalisation of Europe's telecoms market scheduled for 1998, the development of multimedia is also a source of alternative revenues for the world's third largest telecoms operator.

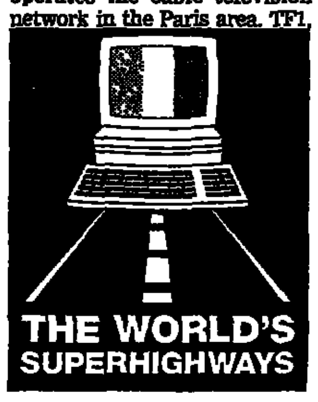
The task of tapping this new source of income falls to Gérard Eymery, chairman of the new multimedia operation. "We have to find new products and services," he says. "It is not a problem of networks or terminals, but one of discovering what consumers want."

As Eymery points out, interactive telecommunications services are nothing new to France Télécom or the French public. For the past ten years, millions of French fingers have been tapping away daily on the keyboards of Minitel teletext monitors, searching for information on everything from job opportunities to dating partners, paying bills and booking rail tickets.

"There are now more than 23,000 different services," says Jean-Paul Maury, director of the Minitel project when it was launched in 1979. After its first decade of service, and with 6.5m Minitel terminals now installed, he says the Minitel is making a return on investment. But if it has come of age, the next generation of multimedia activities is still in its infancy. "We are at the testing stage," says Eymery, referring to his new projects.

Next to be tested, following the launch of the pay-per-view movie service, are a video game channel and a home shopping channel. The games channel, to be developed in conjunction with Matra-Hachette, the electronics-to-publishing group, is due to be launched this Autumn. The tele-shopping channel is expected to start services by the end of the year, and is due to be followed by other products, such as a channel for betting on horse races and one for small advertisements.

The various projects reflect France Télécom's strategy of entering Multimedia through partnerships. The pay-per-view movie company is a joint investment with Lyonnaise des Eaux, the construction and communications group which operates the cable television network in the Paris area. TF1,



the television channel, and CLT, the Luxembourg broadcasting group are also partners in the project. Negotiations are currently under way to determine the allies in the tele-shopping venture.

Further afield, France Télécom has taken an unspecified equity stake in General Magic, the California-based international multimedia group. Last month the French state telecoms group announced it would take a 15 per cent stake in a Japanese multimedia group, alongside 19 Japanese companies, including Mitsubishi, Casio and Seiko.

The search for partners, says Eymery is driven by strategic considerations. "We are seeking to develop higher-value added services, so we need to tie up with companies with expertise in relevant areas."

Financial considerations are a secondary consideration, partly because of the relatively small scale of the investments involved. The total outlay on the pay-per-view service has been about FFr60m. The home shopping channel is expected to require a total of between FFr80m and FFr90m.

But what of the returns? Eymery accepts that progress will be gradual. "All new media services take a long time to establish themselves," he says. "That has always been the case, ever since the introduction of the television." Maury concurs. Even in the US, he says, expectations have exceeded reality in predicting the impact of multimedia.

In France, an additional constraint is presented by the low rate of cable subscription. The government's ambitious "Plan Cable" launched in the early 1980s, cleared the way for the construction of a state-of-the-art cable network. But the high costs of construction, partly passed on to consumers, and the controversial decision in the second half of the decade to grant licences to new terrestrial and satellite broadcasters has resulted in a disappointing level of penetration.

There are currently about 5.5m households linked to the cable network, but just 1.4m subscribers. This is one of the lowest rates of penetration in Europe, and compares with 15m subscribers in neighbouring Germany. "France has made just about every mistake in cable that it was possible to make," says Eymery. He believes the creation of new television channels has been largely to blame for the cable industry's problems.

Despite such obstacles, however, France Télécom says that pay-per-view has had an encouraging start. Subscribers are watching an average of 1.7 films per month, more than in the US, for similar services, although the novelty factor may be a consideration. Within five to ten years, claims Eymery, annual revenues from pay-per-view could reach between FFr300m and FFr400m. Turnover from all of France Télécom's multimedia activities could climb to between FFr5bn and FFr10bn by early next century, he believes.

Annual revenues from Minitel are already approaching FFr7bn, derived from almost 90m hours of connections by subscribers per year. But will the traditional videotext service be threatened by new products from France Télécom's multimedia subsidiary?

Both Maury and Eymery believe not. At least not yet. "We will provide an extension to Minitel services," says Eymery, who argues that the limitations on image quality on Minitel and the different services being provided by the multimedia division will lead to complementarity rather than competition.

Maury believes there is still a solid foundation for Minitel. "If you just need a telephone number then you don't need multimedia," he says, referring to the system's core directory service, still the single largest source of demand from Minitel users.

He believes growth will be maintained through the addition of more sophisticated services and through higher quality sound and images, particularly through connections via personal computers.

Within the next few months, France Télécom is due to launch the high-speed Teletel Vitesse Rapide which, it says, will permit faster connections and improved image quality for Minitel users. A minitel terminal with a smart card reader is also due to be launched, allowing remote payment from home using bank cards.

In the longer term, however, with the promise of information superhighways, both minitel and the existing cable network may run into technical constraints. "Down the road, business and private consumers may want faster systems with higher quality images," says one telecommunications analyst in Paris. "This would require the creation of a fibre optic network linking households and companies," he adds.

The creation of a nationwide fibre optic network, linking households, is currently a topic of hot debate in France. Anxious not to be left behind by developments in the US and Japan, the government has commissioned a report into so-called "autoroutes d'information" or information superhighways. The report, by Gérard Théry, former managing director of France Télécom, is due by the end of July.

France Télécom is already expanding its network of fibre optic cables. Charles Rozmaryn, managing director of the company, says the target is to install 2m km of optical fibres in the national network by the year 2000, compared with a current figure of 820,000km.

For the moment, however, the fibre optic network is not being extended to households. And many are sceptical about the costs and returns that such an extension would generate. "It would take an investment of maybe FFr200bn to link French households through fibre optic cables," says Eymery, who argues the investment would not generate adequate returns in the near future. Besides, he already has enough on his drawing board.

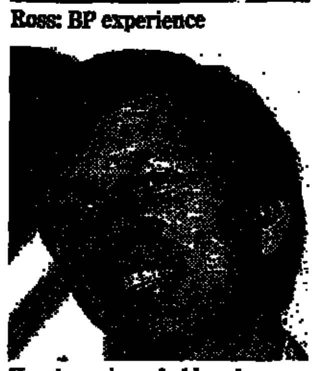
Previous articles this series: Italy (May 30), Japan (June 13).

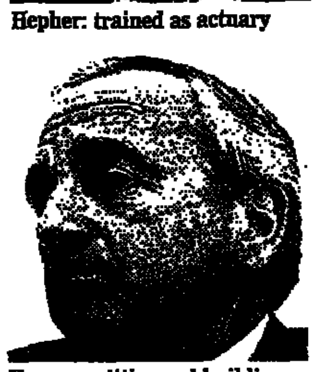
Telecoms look for an outside edge

By Andrew Adonis


Ross: BP experience


Hepher: trained as actuary


Harris: union of old and new


Young: politics and building

Amid the hype about multimedia and superhighways, one quiet but genuine revolution stands out in the telecommunications industry – the gradual transformation of the large national telecoms operators from utility-minded monopolies to market-minded service providers.

The revolution is everywhere incomplete; in some cases it has barely started. "We discovered marketing last year, and can't get over the excitement," quips a senior executive of British Telecommunications, one of Europe's more go-ahead operators.

What are the tell-tale signs? Flashy logos, more and better marketing and advertising, ambitious joint ventures at home and abroad. But a less obvious, and perhaps more fundamental, change is the wholesale replacement of the senior management of the large telecoms companies.

It is not just a change of personnel: the *type* is changing too. Out goes the engineer and career posts and telecoms bureaucrat; in comes the financial services or consumer goods executive, hired to turn telecoms into a brand and to fire a large proportion of the existing staff, not excepting the senior engineers.

Last month's FT conference on European telecommunications highlighted the trend. The heads of six large telecoms companies were on the programme. Only one was a career telecoms engineer; the other five were outsiders who joined their companies within the last six years.

Bessel Kok, chief executive of Belgacom, was chief executive of Swift, a dedicated financial data processaing operator, prior to his appointment in 1992. His main occupation is bullying Belgium's politicians to get his state monopoly into the private sector.

Wim Dik, chief executive of KPN, the recently privatised Dutch posts and telecoms monopoly, went to the job in 1988 from Unilever. He boasts of not having spent a day in the public sector prior to KPN, and still serves on the board of ABN Amro, the Dutch bank.

Michael Hepher, BT's managing director, trained as an actuary, and was managing director of Abbey Life, the UK group, before moving to BT in 1991.

Cándido Velázquez-Gaztelu Ruiz, chairman of Telefonica, the private sector Spanish monopoly, was director general of Tabacanarias, the Spanish tobacco group, until 1989.

The fifth speaker, Mike Harris, chief executive of the UK's Mercury, is a union of old and new. He came to Mercury two years ago, fresh from masterminding the launch of the UK's first telephone bank, First Direct.

Cable & Wireless, Mercury's parent company, is the model revolutionary, having dispatched its entire *ancien régime*. Its chairman, Lord Young, is a former politician and construction tycoon. James Ross, chief executive, was until two years ago managing director of British Petroleum. Linus Cheung, chief executive of Hongkong Telecom, C&W's largest business, was recruited last year from Cathay Pacific, the Hong Kong airline.

Oil, construction, airlines, banking – C&W has everything but telecoms experience among its senior management. For advice on the widgets, the management board relies on Sydney O'Hara. Even he is a new arrival – from BT, where he was deputy director of the company's research labs.

The sixth executive at the conference was, perhaps, the exception which proves the rule. Charles Rozmaryn, chief executive of France Telecom, is every inch the telecoms careerist: a graduate of the Ecole Supérieure des Télécommunications, who held a succession of posts in the Direction Générale des Télécommunications before his current post.

Yet France Telecom defies all the maxims about state control equalling inefficiency and a dynamism deficit. What next, if it becomes Europe's only telecoms operator run by people who know what they are talking about?

Games Blockbuster plays

By Michael Skapinker, Leisure Industries Correspondent

In the mid-1980s, two friends working in a garage could produce a perfectly acceptable video game. Today, says Robert Devereux, chairman of Virgin Communications, teams of 12 to 20 people have to work on games for up to 18 months.

Devereux says: "We very rarely develop anything for less than a seven figure sum. We've got $40m of product in development at the moment. You can make half a dozen mid-priced movies for that."

Devereux's company is developing a basketball video game called Hoops. It will have 19,000 frames of animation. The data storage systems required for these games are increasingly complex and expensive, he says.

The escalating cost of making video games is one of the reasons why Devereux welcomes last week's announcement that Blockbuster Entertainment of the US is to increase its stake in Virgin Interactive Entertainment (VIE), Virgin's video software subsidiary, from 20 per cent to 75 per cent.

VIE develops games and entertainment software compatible with Sega and Nintendo hardware systems. It also devises games for personal computer and compact disc read-only memory (CD-Rom) systems. It will shortly release games


Robert Devereux: games business about to enter difficult period

based on the Walt Disney film of the Jungle Book and the animated feature movie the Lion King.

Blockbuster, which is the world's biggest video rental company, is to sell its entire VIE stake to Spelling Entertainment, the Hollywood film production company in which it has a majority stake.

Devereux says Blockbuster admits it knows little about the development of video games software. That is why VIE will be owned by Spelling, which is more familiar with entertainment production.

The London-based Devereux, who is also in charge of Virgin's television, radio and book publishing activities, will remain chief executive of VIE. Steven Berrard, Blockbuster's president, will become chairman of VIE.

The advantages of the link with Blockbuster, Devereux says, are the marketing muscle it will give VIE and the size of the US company's distribution network: 4,250 shops worldwide.

Another reason why Devereux says he is pleased to be linking up with Blockbuster is that the video games business is about to enter a difficult period.

The first problem is that players are becoming bored with the range of games on offer, he says. The second is that the machines on which the games are played are going to change in ways that will confuse the consumer.

The industry is moving from cartridge-based games to CD-Rom. Devereux believes this Christmas will be the last to see substantial sales of the current generation of 16-bit cartridge-based machines.

Not all of the large games companies, however, will move on to CD-Rom machines. Sega and Sony will, but Nintendo is bringing out a 64-bit cartridge-based machine. Another growing development, Devereux believes, will be CD-Rom games for personal computers.

The fragmentation will make games players reluctant to buy machines until they know which system is likely to survive, he says.

The chef, the hotelier – and their profits

Nicholas Lander talks to French chef Joël Robuchon about his new venture

Joël Robuchon is the most highly esteemed chef in France. His talent has taken him to the heights of his trade, in a country which believes it has taught the world how to cook.

Among fellow chefs he is respected for his integrity and professionalism. Those who have eaten his food recognise his ability to extract the finest flavours, not only from ingredients such as lobster, caviar and truffles but from the more prosaic potato and salad. His "pommes purées" are considered the best. By reintroducing them onto a top French menu in the early 1980s, Robuchon started a trend that spread around the world.

His relatively simple salad of fresh herbs would have delighted the nuns who ran the seminary kitchen he *started work in 37 years ago.* It was there that he fell under the spell of food and its cooking.

Despite his talent, Robuchon is not a man who likes to shock or steal the limelight. Softly spoken, with deep-set eyes, he smiles easily. He enjoys talking, particularly about food, the quality of the produce he uses and about the art and profession of cooking.

Yet the latest stage in his career casts an intriguing light upon the economics of being a modern day super-chef. Last year he shocked peers and countrymen by announcing he would be closing his three star Michelin restaurant in Paris, Jamin, and transferring his entire brigade to the kitchens of *Le Parc Victor Hugo*, a new luxury hotel. In the process, Robuchon stepped into the arms of an international hotel chain.

Le Parc Victor Hugo is owned by La Compagnie International Phénix Hotels, which operates 31 hotels, predominantly in *Paris but also in London*, Amsterdam and Geneva. Its main shareholders are Compagnie Générale des Eaux, one of France's leading utilities and Assurances Générales de France, a large, state-owned insurance company shortly to be privatised.

Robuchon's standing has allowed him to command impressive terms from the two corporate giants. The combined workforce of the two companies is more than 250,000. Yet last week at the official opening of Le Parc Victor Hugo the collaboration between Robuchon and CIP was described as a "partnership". However, in spite of the status the deal gives him, a troubling question *remains: why is it that a man at the* peak of his career, as chef and proprietor of a three star Michelin restaurant, has chosen to compromise his independence ?

The most suitable analogy for this unlikely partnership lies in the Middle Ages. Robuchon is the brilliant artist and CIP the powerful nobleman, whose patronage will ensure Robuchon's survival and eventual *fortune. For these* days few celebrity chefs can live by cooking alone.

Born in Poitiers in 1945, the son of a mason and a mother who cooked simple French food, Robuchon entered a seminary at the age of twelve to train for the priesthood. He worked in the kitchens, alongside the nuns, and it was they who alerted him to the pleasures and satisfaction of cooking.

"Cooking is one of the very few pro*fessions," Robuchon stresses, "which* demands that you use both your hands and your head to the same level of skill."

The need to supplement the *family income forced Robuchon*, aged 15, into the kitchen as an apprentice in the hotel and restaurant, Relais de Poitiers. A year followed as a Compagnon du Tour du France, during which like a medieval journeyman, he travelled the France, reporting in each city to an *appointed 'master' who set him to* work.

Robuchon believes, despite the hard work, that this training as part of a team, was invaluable. "There are many, many chefs who can cook expertly but the hardest task facing any chef today *is building* a brigade, *maintaining* a team."

In 1965 Robuchon left the provinces for a job at The Berkley hotel in Paris to work under head chef Andre Moreau, who believed passionately in the professionalism inculcated by culinary com*petitions. It was Moreau who recog*nised Robuchon's talents and made him compete at every available opportunity. This competitive era convinced Robuchon to strive for the top. In 1968 while many of his colleagues were gripped by revolutionary fervour and several left the profession, Rubouchon ploughed on.

By *1970* he had become the youngest chef to win the Prix Taittinger, perhaps France's most arduous culinary contest, and by 1974, aged 28, he was head chef of the Hotel Concorde Lafayette, responsible for 90 chefs serving 3,000 customers. In 1981 he opened Jamin *which gained three Michelin stars* within three years.

Chefs became media stars in the 1980s, Robuchon believes partly because none of those cooking at the very highest level make a profit in the dining room. Dinner chez Robuchon will cost $200 *per person with modest wines* – but the perishable raw ingredients are only the very best and the labour costs are very high. At Robuchon's restaurants, staff of 45 serve no more than 50 customers.

Robuchon believes that without a *strong financial* parent top chefs have had to find other sources of income – by writing books, making television appearances or endorsing a range of foodstuffs – to support their restaurants.

So he was particularly vulnerable when the recession of the early 1990s brought empty tables, *smaller bills and* shrinking profits. In 1990 Robuchon met Jean-Marc Oury, CIP's chairman, as the company was embarking on a $5m plan to convert five 1912 townhouses into Le Parc Victor Hugo. Oury lured Robuchon to the hotel with a deal in which *Robuchon owns the restaurant but pays* rent to CIP. He does not get a salary but keeps the restaurant's profits and acts as consultant to the hotel's brasserie, which is considerably cheaper than the restaurant.

Robuchon believes the security of this partnership will allow him to set new culinary standards and to shape the future of French cuisine. "Cooking has changed fundamentally since I began in 1960. It used to be the quality of the sauces that was important. The produce itself was secondary and often you could *not* tell *what* you were eating. Today what is important is to respect the produce you are working with and fix in your mind its taste and flavour so that you can recognise the precise moment it is cooked. That is what I must teach."

NAMES IN THE NEWS

Wagoner rides ever higher at General Motors

To say that Richard Wagoner's rise to the top of General Motors has been meteoric is to risk understatement, writes Martin Dickson.

Two years ago, at the age of 39, he was plucked from Brazil, where he was head of GM's operations, to become the group's chief financial officer.

Last week he was promoted again, to run GM's North American vehicle operations (NAO) – the troubled heart of the world's largest *industrial company. And he* is still only 41.

Little wonder, then, that he has emerged as the front-runner eventually to succeed Jack Smith, GM's 56-year-old chief executive, who gained the position after a boardroom coup in 1992 and has been running NAO himself until now.

Smith displayed his *confidence in Wagoner last* year when Jose Ignacio Lopez de Arriortua, the volatile Spaniard who had been running GM's worldwide parts purchasing operation, suddenly quit this key position – and an offer to head NAO – to join Volkswagen. Smith added the Lopez job to Wagoner's finance portfolio.

Wagoner is a tall, extremely articulate man with self-deprecating sense of humour and a maturity of manner beyond his years. He oozes leadership and as finance chief won over Wall Street with his clear, frank briefings on GM's problems.

After gaining a Harvard MBA in 1977 he joined GM's New York treasury department – also Mr Smith's training ground – and then saw widespread experience abroad, with two spells in Brazil, one in Canada and two years in Europe in charge of finance.

Wagoner faces a huge challenge at NAO, which will return to the black this year but is a long way from producing a decent financial return.

It employs too many workers and bureaucrats, with lower productivity than rival manufacturers, making too many vehicles which lack design flair and are poorly marketed.

Wagoner's firm but friendly style, methodical approach to problems and desire to build consensus should help him in slimming GM in cooperation with the group's belligent union leadership.

He has gone some way to smoothing relations with GM's part suppliers, who were angered by Lopez's confrontational approach. "He *listens well and has a desire* to bring people together more," says one supplier.

As head of Brazilian operations in 1991-2, he is reputed to have brought in the kind of cultural change and lean production systems now required at NAO.

A potential weakness is that he comes – like Mr Smith – from the financial side of GM, *rather than motor* manufacturing. He may thus find it hard to produce the kind of engineering excitement and design flair that many GM vehicles badly need.

Still, he may be able to make GM vehicles more attractive to a segment of the market where it is badly lagging – young Americans. He's almost one himself.

Schmidt sweeps up at Denmark's ISS

The battle for power at the world's biggest cleaning company has been settled, writes Hilary Barnes.

Waldemar Schmidt, 53, has been tapped to take over from Poul Andreassen as the next chief executive of the Danish-based International Service Systems (ISS).

Schmidt, managing director of ISS Europe in London since 1989, has been appointed deputy group managing director and will take over the top job in May 1996. He will have a hard act to follow in Andreassen who joined ISS more than 30 years ago when it was one of many small Danish cleaning companies. Since then he has built it up into the world's largest cleaning group with 130,000 employees in Europe, North America and Brazil, and a 1993 turnover of DKr13.8bn.

Schmidt's main contender for the job was Henrik Slipsager, 39, chief executive of ISS's US business. Slipsager announced last Thursday that he plans to quit at the end of the year but will continue as a member of the board of the US business.

Hilbert's policy for happy longevity

'Maverick' *is a* word that sticks to Stephen Hilbert. A dozen years of wheeling and dealing has brought the 48-year-old founder of life insurance group Conseco his share of controversy, writes Richard Waters.

It has also brought him to the brink of his biggest coup, a $2.7bn takeover of Kemper, the embattled insurance, fund management and stockbroking group.

Hilbert is an unusual animal in the US life insurance industry, as well as its most lavishly rewarded executive. His rise stems from a single Big Idea, hatched in 1979: that the fragmented insurance business, burdened with heavy costs, was due for an overhaul.

Starting out with $10,000, it took Hilbert until 1982 to get the backing to launch Conseco, and since then he has bought 11 insurance companies. Along the way, some of the US's biggest investors have thrown their considerable weight behind him. Calpers has $100m in Hilbert's latest acquisition vehicle; GE Capital, whose own bid for Kemper Hilbert topped last week, was an investor in an earlier Conseco partnership.

Based in Carmel, Indiana, Hilbert's rapid rise has brought him enemies. But he has withstood the criticism of Wall Street and the regulators and and came back fighting – even if his share price has retreated a third from its high point 18 months ago.

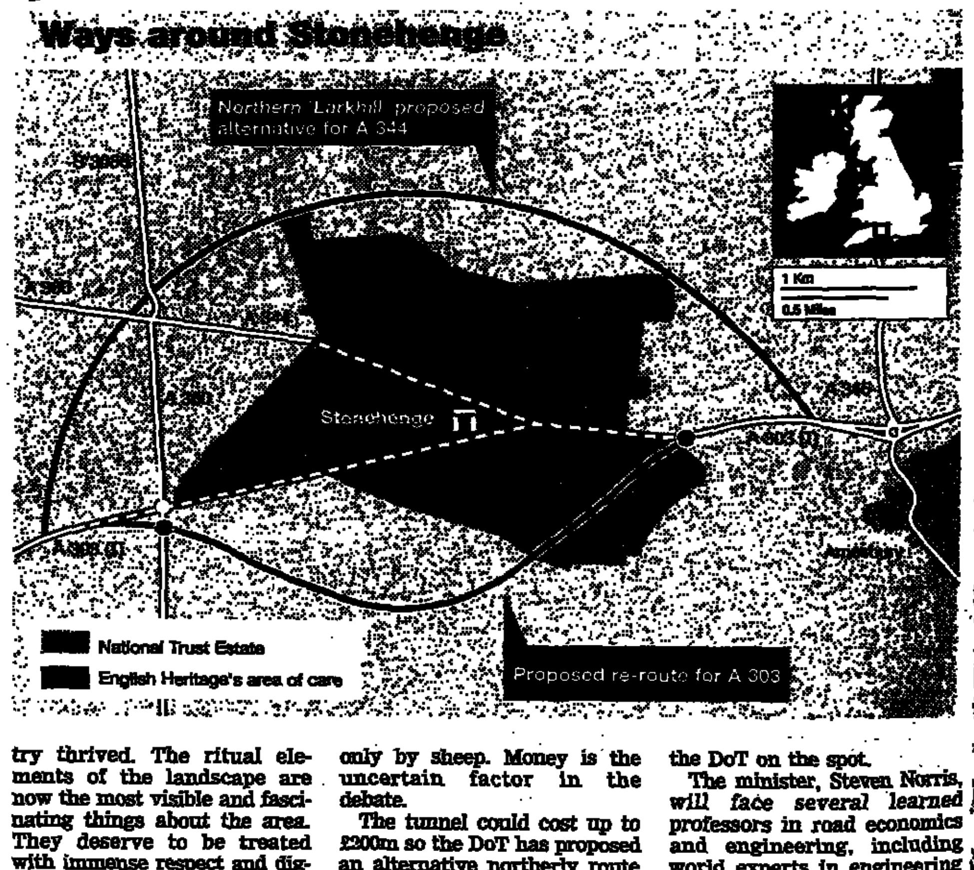
As he once told the Indianapolis Business Journal: "I believe the only way you really get rid of all the negative comments is to outlive everyone else." A message the venerable but labouring Kemper will no doubt take to heart, as it prepares to forfeit its independence.

ARCHITECTURE

Stonehenge: danger major road ahead

Colin Amery backs the suggestion by Jocelyn Stevens that a tunnel should run under the famous monument

Ways around Stonehenge



Jocelyn Stevens, chairman of English Heritage, *is much too good to go.* He is rumbling and threatening to resign if the Department of Transport goes ahead with *plans for a new major road* close to the site of Stonehenge. He is right to be angry with the short sightedness and folly of the DoT.

Stevens has incredible enthusiasm for his job and he has galvanised much of English Heritage into greater efficiency. When it comes to Stonehenge, he and the National Trust (which owns much of the site) have taken their time to realise how terrible the present situation is for visitors and for the reputation of archaeology in England.

If you attempt to visit the stones today you will see the ugliness of the car park, the closeness of the roads and the sheer unpleasantness of the tunnel approach to the site. The stones themselves are isolated as if in a concentration camp and surrounded by a high wire fence.

The public accounts committee of the House of Commons condemned the presentation of Stonehenge as, "a national dis*grace" and ever since the* stones were placed in the care of English Heritage in 1984 ways have been sought to improve things.

Stonehenge is one of the world's most important prehistoric sites and has been recognised by Unesco as a World Heritage Site. There are more than 450 archaeological monuments within the boundaries of the sire and in the years 3000 BC to 1200 BC the area was *filled with settlements, tombs,* and sites where the flint industry thrived. The ritual elements of the landscape are now the most visible and fascinating things about the area. They deserve to be treated with immense respect and dignity.

*Jocelyn Stevens is an ebul*lient showman and he has become something of a convert to the excitement of archaeology. He now realises Stonehenge *could become a 2000* acre prehistoric park that could easily become an international tourist attraction of even greater significance than *it is now.* It is the real thing, not a Jurassic Park or Disney recreation. All this would be ruined by a major new road. As an alternative English Heritage proposes a radical solution.

The Stevens plan is for a 2.8 mile twin bore tunnel beneath Stonehenge. This would allow the removal of all roads that damage the site. It would also *create* the opportunity for a large visitors' centre near Amesbury and a small railway, which would carry visitors to the "sunken observation and interpretation centre", from where they would be able to wander freely among the stones in a landscape disturbed only by sheep. Money is the uncertain factor in the debate.

The tunnel could cost up to £200m so the DoT has proposed an alternative northerly route that takes the A303 through *Ministry of Defence land* at Larkhill. That is expected to cost £30m.

Because this road passes close to an ammunition dump *and the officers mess of the* Larkhill Garrison it has been partly re-routed so it now impinges on two other crucial archaeological sites. Stevens thinks that this route is not the answer – only a proper tunneled road can ensure that Stonehenge is seen in a timeless setting, free of the detritus of the 20th century.

How successful the campaign for the tunnel will be depends upon the outcome of a conference that is being held in *London this week (Stonehenge – The Great Debate – July 8, Queen Elizabeth II Conference Centre)* where international experts will explore the monument's future.

Stevens is determined to put the DoT on the spot.

The minister, Steven Norris, *will face several learned* professors in road economics and engineering, including world experts in engineering tunnels.

Proponents of the tunnel believe the debate will show that the costs of a short tunnel will be much less than government estimates.

Stevens is optimistic that the visitors' centre, near Amesbury, will generate considerable income from shops and hotels.

It is doubtful that it will pay for the tunnel, but private enterprise has to be involved and the possibility of a toll tunnel cannot be ruled out.

Can Stevens succeed in selling the Ministry of Defence and the *Ministry of Transport* his vision for Stonehenge? It is a potent vision – a gloriously peaceful park dedicated to the mysterious rituals of the great stones.

If the road lobby wins, I suspect *that the nation will feel* that Stevens is right when he says that if the government sanctions a low-cost, destructive road we will know that "nothing is sacrosanct". Not even Stonehenge.

ARTS

OPENINGS

PARIS
The San Francisco Ballet makes its debut at the Palais Garnier in Paris and runs a season of two well-varied programmes this week with works by Balanchine, Mark Morris and Agnes de Mille (scene from her "Rodeo" pictured right). Worth sampling.

CITY OF LONDON FESTIVAL

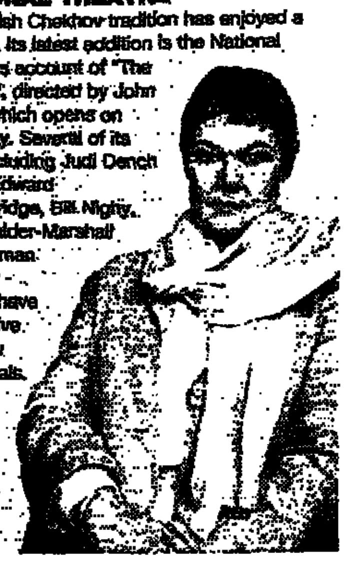
Music round the clock will lure city workers out of the office as the lunchtime concerts and early evening organ recitals of the City of London Festival get underway. Many events are taking place in the city's historic churches and ancient livery halls. Al fresco entertainment is also on offer at the Broadgate Arena, which has free theatre, jazz or cabaret most weekday lunchtimes. The festival ends on July 20 with a traditional visit to St. Paul's Cathedral; this year for Walton's "Belshazzar's Feast".

GLASGOW
BB King (below) brings his trusty Lucille to the Glasgow International Jazz Festival tonight. On Wednesday, soul-jazz pianist Horace Silver has the Brass Ensemble in tow at the Old Fruit Market, and on Thursday Al Green's evangelical falsetto will be melting hearts at the Royal Concert Hall. A rare visit by the Max Roach quartet on Saturday should rekindle memories of the great drummer's association with Bird and Dizzy.

NEW YORK
The Mostly Mozart Festival opens tomorrow at the Lincoln Center with a concert in which baritone Thomas Hampson will sing arias from Mozart operas and Shura Cherkassky will play Chopin. Guest conductors during the seven-week festival include Mark Elder, Jane Glover (right) and Joshua Rifkin. One of the more unusual programmes is a concert on July 28 when three pianists of contrasting styles - Helene Grimaud, Robert Levin and Cecile Licad - will play three different Mozart concertos.

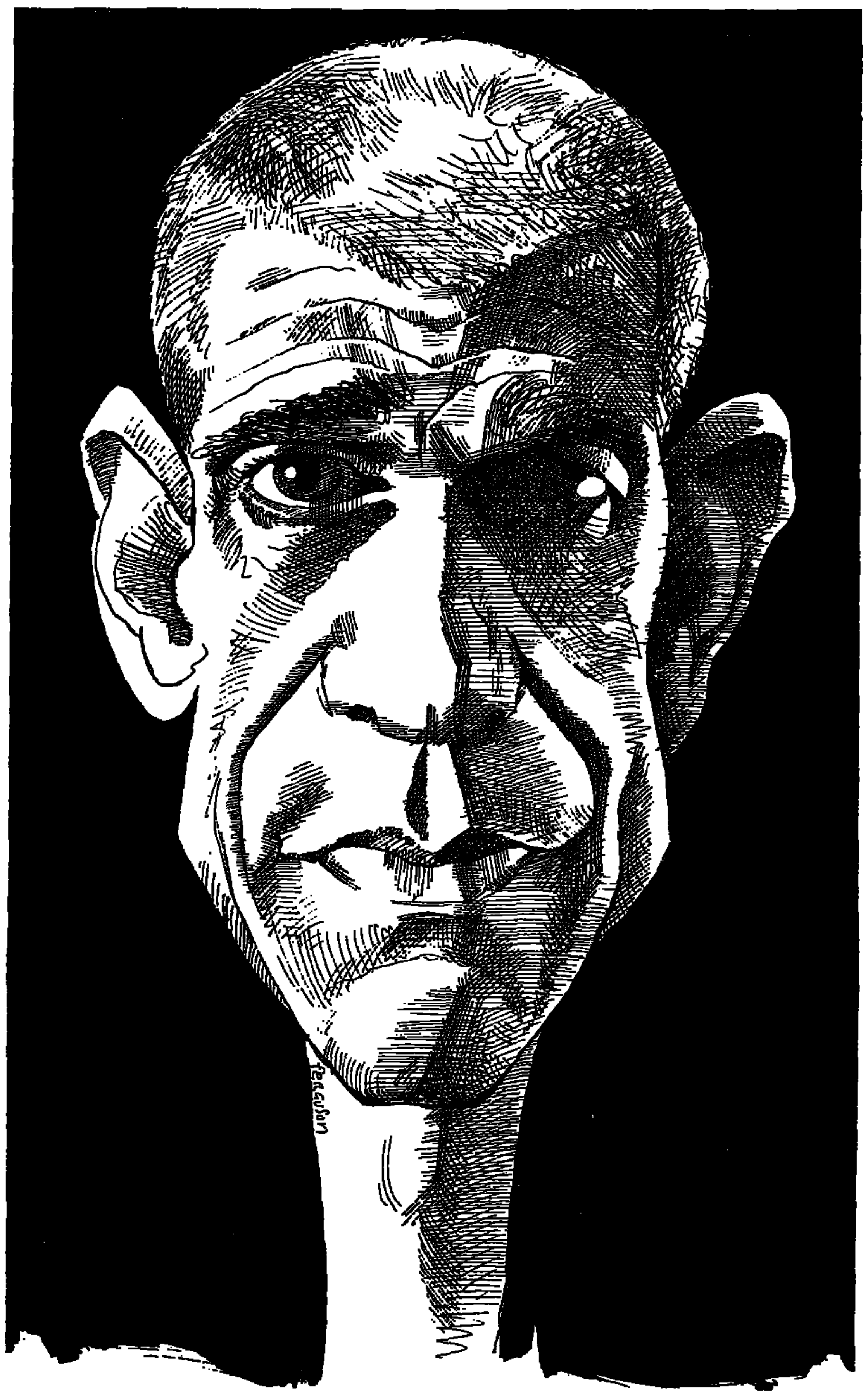
AVIGNON
France's leading theatre festival begins on Friday with a new production of Euripides' "Andromache" directed by Jacques Lassalle. The programme, one of Avignon's strongest of recent years, also includes Shakespeare's "Henry VI" directed by Stuart Seide, the French premiere of Tony Kushner's "Angels in America" and three short plays by Edward Bond. Japan will be represented by classical and contemporary Noh theatre, a traditional dance-theatre production and several prominent directors.

NATIONAL THEATRE
The British Chekhov tradition has enjoyed a rich run. Its latest addition is the National Theatre's account of "The Seagull", directed by John Caird, which opens on Thursday. Several of its cast - including Judi Dench (right), Edward Petherbridge, Bill Nighy, Anna Calder-Marshall and Norman Rodway - already have impressive Chekhov credentials.



Firebrand or fashion victim?

Can Peter Jonas, controversial ex-director of the ENO, win over conservative Munich audiences, asks **Andrew Clark**



This is probably the most important week of Peter Jonas's career. The former general director of English National Opera arrived in Munich last September with a mandate to modernise a notoriously conservative institution, the Bavarian State Opera. The Munich opera festival, opening on Wednesday, is his first major test. It will show how far he has won over the Munich public to his controversial views on music-theatre.

Jonas's appointment as the State Opera's first non-German intendant aroused high expectations. In London, he had played a key role developing ENO's reputation for bold theatrical ideas and enterprising repertoire. He talked about "making opera open to everybody", "extending the frontiers of taste" and "going along the paths of adventure that are important to us". That was what attracted Munich's city fathers.

What they apparently overlooked was the price ENO paid for Jonas's radicalism. The fashionable production values and brash marketing campaigns of the late 1980s alienated many of ENO's core supporters, without winning the imaginary new audience to replace them. Jonas and his colleagues seemed to prize a first-night scandal above a solid artistic success. There was an air of conceit.

By the time Jonas left London last summer, ENO audiences had fallen to 56 per cent, the deficit had risen to £2.3m, and the company had a sharply diminished stock of revivable productions. Not all of this could be blamed on the recession.

On his arrival in Munich, Jonas made clear he would pursue "interpretative rather than representational theatre" – productions designed to provoke rather than comfort. He would aim to reach a wider audience than the State Opera's traditional public. He would build on four pillars - Mozart, Wagner, Verdi and newly-commissioned works.

As in London, the radical nature of Jonas's agenda was camouflaged by his legendary charm and eloquence. He talked about policy in a way Germans could understand. Unlike his predecessor, Wolfgang Sawallisch, he was image-conscious and knew how to court the press.

The first evidence of a new direction came in March with Richard Jones's Jurassic Park treatment of Handel's *Giulio Cesare*. The premiere was accompanied by the kind of booing and cheering that had been *de rigueur* at ENO. German critics found the production cheekily entertaining, and it developed a cult-following among Munich's younger, more progressive theatregoers.

Jonas is hoping Wednesday's new production of *Tannhäuser* will cause an even bigger splash. Wagner is a house god, and Jonas has chosen one of his most provocative ENO collaborators, David Alden, to stage it. Next season brings a transfer of David Pountney's ENO version of *The Adventures of Mr Broucek*, a Nicholas Hytner staging of *Don Giovanni*, and *Parsifal* directed by Peter Konwitschny, a graduate of the didactic Ruth Berghaus school of east German opera production.

The question now being asked in Munich is whether this programme amounts to "aesthetic renewal" as Jonas claims – or merely a grafting of the "powerhouse" aesthetic from ENO.

Jonas, who controls a budget of DM124m (£50m), has never hidden his contempt for the wealthy Munich burghers who bankroll his organisation. "I have never in the whole world seen so much fake jewellery and dyed hair," he said earlier this season. "Many women look like gilded Christmas trees". He talks of "the possessiveness these people feel about their opera – they regard themselves as owners of the works being performed and shareholders of the company. But we're too dependent on them to slap them across the face."

He believes his 11 years with the Chicago Symphony Orchestra and nine years with the ENO have prepared him well for his role at Munich. "One's got a great deal of experience of how these things work. In London it was pretty difficult, because we were much more dependent on speculative customers, coming through the door on the day. In Munich it's more like Covent Garden. The subscription audience provides a huge backbone – about 11,000 people, some of whom have several subscriptions."

It is, he says, all a question of balance: "You have to be able to create an artistic policy that will convert some of this traditional audience and draw some new people. Ultimately, you have to rely on instinct – the feel you have on the tiller of the direction you're going."

This sensitivity, however, is the very quality Jonas's critics find missing. "He doesn't seem to have a feeling for what is appropriate for Munich," says Marianne Reissinger of the *Abendzeitung*, citing Jonas's disinterest in the Strauss tradition and his approach to Verdi. In the past, Verdi's operas have been successful in Munich only when tackled from the highest musical level: *Simon Boccanegra* with Abbado, *La traviata* with Kleiber, *Macbeth* and *Aida* with Muti, *La forza del destino* with Sinopoli. Jonas handed *Un ballo in maschera* to the German conductor Peter Schneider, and the performance was about as un-Italianate as you can get.

Whether Jonas was wise to choose Schneider as the company's music director is open to debate. Schneider is likable and hard-working, but lacks a strong artistic personality. One member of the orchestra expresses the widely-held view that Jonas "doesn't have much interest in the musical side. He doesn't talk about opera in terms of music or making people happy."

On that last point, Jonas is inclined to agree. He says comic opera "is never going to be very visible with me around, because I've always been more interested in the *Sturm und Drang* kind of thing. I just have a certain taste. One is chosen for one's competence, I suppose, but also for one's taste. That may be my undoing or it may be my glory. Whatever the outcome, I'm not going to change."

One area of his London experience Jonas is unlikely to repeat in Munich is his begging-bowl speech-making from the stage. "It's extremely liberating here, in that the basic argument about the necessity of the arts was won a long time ago. Having a State Opera in this town is an accepted fact. We meet the politicians, of course, but it's not oppressive. The civil servants are helpful. What is difficult is the bureaucracy. There are rules and regulations, who you can hire and what you can pay for. It can be quite enervating. But I'd prefer that kind of circuitous difficulty, and have the essential matters accepted."

A fastidious 47-year old, Jonas says life in Munich involves less struggle than London. His home is a short walk from the theatre. He takes part in his ballet company's work-outs. The son of a German-Jewish father and a half-Scots, half-Lebanese mother, he occasionally delights the locals by wearing the kilt he bought for his last night at ENO.

He has joined the MCC – Munich Cricket Club. And he uses a cricketing metaphor to describe himself as "a leg-glancing professional – giving the appearance of treating difficult things rather lightly, a concept that's foreign to the Germans. I hope I can make this job work. But if they believe it has to go in a different direction, or back to what it was, that's fine – they can just get rid of me."

Opera/Film

More beast than beauty

The theme of transformation is central to Cocteau's magical film *La Belle et la bête*. Not only does the Beast turn into a Prince, his castle is also alive with statues that become human, invisible hands that open doors and jewels that turn into worthless trinkets.

Now the composer Philip Glass has endeavoured to make his own transformation of the film. Last week's *"Meltdown"* festival on the South Bank brought film and music together as part of its theme of new work in the arts crossing boundaries. Glass's re-working of *La Belle et la bête* is almost impossible to classify. He calls it a "live opera/film event", the programme an "opera for ensemble and film".

What it involves is as follows. The Cocteau film (its original un-edited version) is shown on a big screen, but without its soundtrack. A quartet of singers sing the words that would have been spoken by the actors and a small ensemble combining keyboards and saxophones provides the live accompaniment. This showing was billed as part of the "world premiere tour", but the conductor, Michael Riesman, seemed practised at keeping the music in sync with the film.

As in Nyman's film scores (so fashionable of late) the constant motor rhythms of the minimalist school can become wearing over a film's unbroken hour-and-a-half duration. Glass varies the pace more, but still not enough. In the intimate encounters between Beauty and the Beast one longed for the repeated chords to relax their pulse just for a few minutes.

Otherwise Glass has put together an atmospheric score, which captures the grand guignol fantasy of the film. Whirling upward scales set the mood, underpinned by ominous rumbling bass lines; bells peal along the chateau's dark corridors, their ring electronically twisted into the shriek of ravens. Unfortunately the amplification of the music drowned the singers' words.

Like most multimedia events, *La Belle et la bête* falls between two stools. As a straight opera, there is probably not enough interest in its vocal writing. Whether there is any future in opera/film as a medium beyond this one-off exercise is another question again.

Richard Fairman

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS
The Tallis Scholars give a concert of music by Palestrina and Lasso tomorrow in Berlin Cathedral (854 2040). On Wed in the Philharmonie, Monica Huggett directs Hausmusik London in works by Weber, Spohr and Mendelssohn (854 2040). On Thurs at Gendarmenmarkt, Katia Ricciarelli is soloist in an open-air opera concert conducted by Jacques Delacôte (514 2741). Melvyn Tan gives a pianoforte recital on Sat late afternoon at the Staatsoper (854 2040). The Hanover Band plays Bach at the Philharmonie on Sat evening (854 2040). Ulf Hoelscher is violin soloist with Sinfonia Varsoviaon Sun at the Philharmonie, with music by Bach, Mendelssohn and E.T.A. Hoffmann (854 2040)

OPERA/DANCE
Staatsoper unter den Linden Rudolf Nureyev's production of Glazunov's ballet Raymonda opens tonight in a new staging by Eugene Polyakov (repeated July 6, 8, 11, 13). Tomorrow: Ariadne auf Naxos with Margaret Price and Reiner Goldberg. Thurs and Sat: Il barbiere di Siviglia with Jennifer Larmore and Dmitri Hvorostovsky. Sun: Salome (200 4762/2035 4494)
Deutsche Oper Tonight and tomorrow: La boheme. Thurs: Bartok and Schoenberg double-bill with Karan Armstrong and Doris Soffel. Fri: Peter Schaufuss' production of Sleeping Beauty. Sat: Nutcracker. Sun: Meistersinger with Wolfgang Brendel and Eva Johansson. End of season (341 0249)

■ DRESDEN

Semperoper Tonight: Daniel Nazareth conducts Middle German Radio Symphony Orchestra in Mahler's Rückert Lieder (Christa Ludwig) and Bruckner's Seventh Symphony. Wed: Ute Lemper cabaret evening. Thurs: Christa Ludwig song recital. Sat: Daniel Nazareth conducts Carmina Burana. Next Tues: Grigori Sokolov piano recital (0351-484 2323)

■ FRANKFURT

● The Frankfurt Ballet performs choreographies by Saburo Teshigawara and William Forsythe tonight, Wed and Thurs at the Opera House (069-236061)
● New York Harlem Theatre opens a season of Gershwin's opera Porgy and Bess at the Opera House on Sat, continuing daily except Tues till July 29 (069-236061)
● English Theater Frankfurt has Bill Manhoff's comedy The Owl and the Pussycat daily except Mon till July 16 (069-2423 1620)

■ GENEVA

The city of Geneva organises a series of concerts throughout the summer, some of them free open-air events. The international music series begins on Wed at Théâtre with the French Dixieland group Les Haricots Rouges, followed on Fri by Styl 60, with further concerts till Aug 24. The jazz series runs every Mon till Aug 15 at Cour de l'Hôtel de Ville, beginning next week with the French duo Martial Solal and Didier Lockwood. The classical music series, also at Cour de l'Hôtel de Ville, opens on Thurs with a madrigal programme. Geneva Chamber Opera presents Grétry's Zémire et Azore on July 12, 13, 15 and 16 (022-786 5545/022-312 4353)

■ HAMBURG

● Maximilian Schell stars as Professor Higgins in My Fair Lady, opening at the Deutsches Schauspielhaus on Fri (previews from tomorrow) and running daily except Mon till Aug 7 (040-248713)
● Justus Frantz conducts Sinfonia Varsovia in works by Beethoven on Thurs at the Musikhalle (040-346920)
● Johnny Cash sings at Freilichtbühne Stadtpark on Sat afternoon.

■ NEW YORK

THEATRE
● Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St, 239 6200)
● Angels in America: Tony Kushner's two-part epic conjures a vision of the US at the edge of disaster. Part one is Millennium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)
● Four Dogs and a Bone: John Patrick Shanley's satiric comedy about movie-making and power plays in Hollywood (Lucille Lortel, 121 Christopher St, 924 8782)
● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)
● The Sisters Rosensweig: Wendy Wasserstein's most successful play to date. A comedy with serious undertones about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)
● Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)
● Tommy: a musical written and composed by Pete Townshend, based on the 1969 rock opera by The Who, about a withdrawn young boy who becomes a Pinball Wizard (St James, 246 West 44th St, 239 6200)
● Crazy for You: the musical based on Gershwin's Girl Crazy recently passed its second anniversary on Broadway. A highlight of this glitzy entertainment is Susan Stroman's choreography (Shubert, 225 West 44th St, 239 6200)

DANCE/MUSIC
Avery Fisher Hall The Lincoln Center's Mostly Mozart Festival opens tomorrow with a programme featuring baritone Thomas Hampson singing Mozart arias and Shura Cherkassky playing Chopin. The festival runs daily except Sun till Aug 20 (875 5030)
Metropolitan Opera The Royal Ballet opens a two-week season on Wed with Anthony Dowell's production of The Sleeping Beauty. The season also features MacMillan's Mayerling and a mixed bill including Ashton's A Month In The Country. This is the Royal Ballet's first visit to New York since 1991 (362 6000)

■ PARIS

DANCE
● San Francisco Ballet is in residence this week with two mixed bills, including choreographies by Balanchine, Mark Morris, Helgi Tomasson and Agnes de Mille (4742 5371)
● Paris Opera Ballet presents the Nureyev production of La Bayadère at the Bastille tomorrow, Thurs, Sat, Sun and next Wed, Fri and Sun (4473 1300)

OPERA
● Carmen runs at the Bastille till July 23 with changing casts including Marta Senn/Kathryn Harries/Beatrice Uria-Monzon in the title role, Sergey Larin/Alberto Cupido/Daniel Galvez-Vallejo as Don José and Alain Vernhes/Gino Quilico/Harry Peeters as Escamillo. Jose-Luis Gomez's staging is conducted by Serge Baudo/Cyril Diederich. This week's performances are tonight, Wed and Fri (4473 1300)
● Roberto Alagna and Nuccia Focile head the cast in Gounod's Roméo et Juliette at the Opéra Comique, conducted by Michel Plasson and staged by Nicolas Joel. Final performances are tomorrow, Thurs and Sat (4286 8883)

■ VIENNA

● The Roman ruin in the park of Schönbrunn, the former residence of the Hapsburgs, provides an open-air venue for Vienna Kammeroper's summer productions. Le nozze di Figaro opens tonight and runs daily except Wed and Sun till July 30. Don Giovanni follows from August 9 to 27 (513 0851)
● Klangbogen, Vienna's summer concert series, runs till the end of August at various venues throughout the city. This week's programme includes Mozart arias and orchestral works on Thurs at the Rathaus Arkadenhof, and a concert by the Estonian Chamber Chorus on Fri at the Augustinerkirche. Kathleen Battle gives a song recital at the Konzerthaus on July 12 (4000 8410)
● Vienna's jazz festival runs daily till July 15, and features Tony Bennett tomorrow, Natalie Cole on Wed, B.B. King on Thurs and Stephane Grappelli on Sun. Most events take place at the Staatsoper (4000 8410)

ARTS GUIDE
Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

The impossibility of being president

MICHAEL PROWSE on AMERICA

At the economic summit in Naples the world's press, once again, is likely to be impressed by President Bill Clinton's youth, energy, intelligence, warmth and persuasive rhetoric. Set against his elderly and cautious Group of Seven peers, he cuts a rather impressive figure. Being an American he at least possesses a modicum of optimism: unlike his world-weary colleagues he believes that severe social problems – such as high global unemployment – are soluble.

Yet in spite of these virtues and some solid legislative achievements, Mr Clinton's approval ratings at home are depressingly low. The boost that he hoped to get from robust economic growth has been largely offset by continuing doubts about his character – doubts fuelled by the Whitewater affair and Paula Jones's sexual harassment charges. At the same time he is condemned as indecisive in foreign affairs and criticised for running an ill-disciplined White House – a charge that prompted another reshuffling of top aides last week and the appointment of Mr Leon Panetta, the affable former budget director, as the new chief of staff.

While not denying that Mr Clinton has made many mistakes, I believe much of the criticism of his presidency is misplaced. The US media are like a pack of wolves: happy only when dismembering their prey. They would find grievous faults in any occupant of the Oval Office because the job of an American president is now beyond the ability of any mortal. This is largely the consequence of an 18th century constitution designed by Virginia landowners whose main objective was to limit the powers of a central government.

The goal of minimal government was admirable; but the ensuing legislative arrangements create enormous tensions in an era when the American people (and the wider world) expect an administration to solve countless problems. In the US system, cabinet officers, as unelected appointees, have much less authority than in parliamentary regimes. All important decisions on foreign and domestic policy are thus funnelled into the White House for the attention of the chief executive. Mr Clinton is engaged in formulating policy in spheres such as macroeconomics, healthcare, crime and welfare at a level of detail that in Britain would be left to the relevant secretaries of state – if not senior civil servants.

Former President George Bush tried to solve the "overload" problem by ignoring domestic policy. But this led ultimately to electoral defeat. Mr Clinton has set himself important goals in the domestic arena. He cannot afford to delegate domestic policy because nobody but the president has the clout to influence the other main power brokers in the US system, the men who run the key congressional committees – such as Daniel Patrick Moynihan, the unpredictable chairman of the Senate finance committee.

Such barons have limited respect for presidents, even from their own parties, because they do not select them: Congress has to work with a president independently chosen by the American people. But for Mr Clinton's personal involvement, for example, Congress would never have voted in favour of the North American Free Trade Agreement. The task could not have been entrusted to cabinet officials such as the trade representative and treasury secretary. Healthcare reform may be stymied despite Mr Clinton's passionate involvement; without a presidential push, defeat would be virtually certain. Mr Clinton thus has no choice but to try to keep on top of every aspect of policy, from Bosnia to handguns; inevitably he drops some balls.

Other facets of the Washington system conspire to undermine him. One key to understanding Mr Clinton is to remember that, unlike his recent predecessors, he is comfortable with ideas. He is the product of a superior liberal education – of a tradition that abhors dogmatism and stresses the virtue of critical analysis from various points of view. The result is a "seminar" presidency: a chief executive who mulls the arguments for and against policies and makes decisions slowly. Having an open, inquiring mind is not normally a sin; yet as president, Mr Clinton pays a heavy penalty.

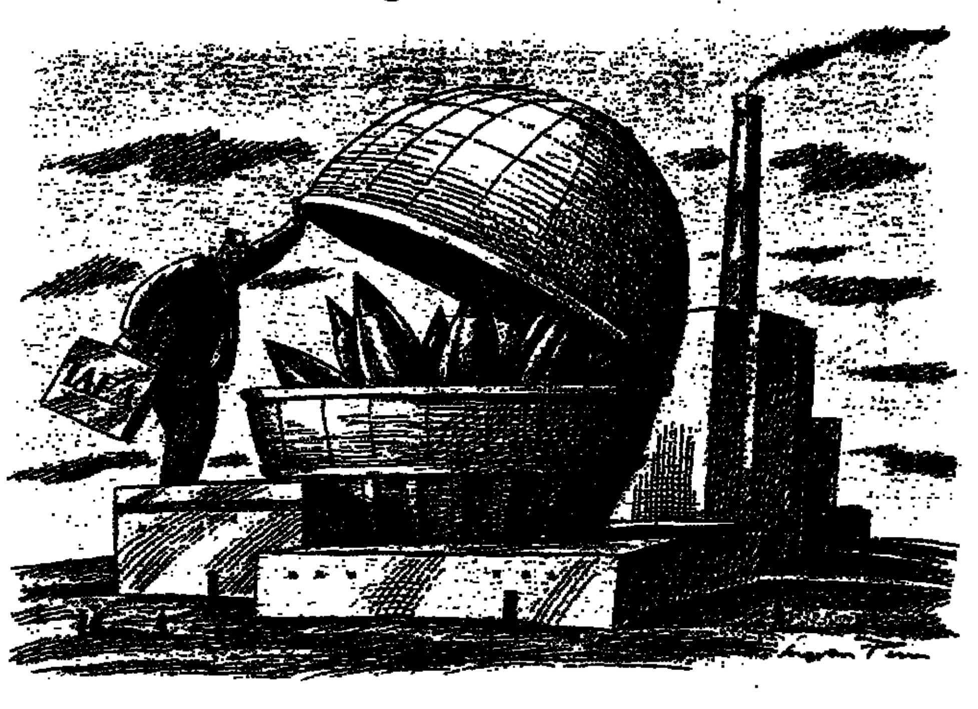
Since nothing is secret in the American political system, every step in his tortuous decision-making process is relayed to a confused public at home and abroad. Policy-in-formation is endlessly "analysed" in superficial news reports. Yet the "soundbite" style of presentation militates against true understanding.

A thoughtful president who quite often gets it right – think for example of his two Supreme Court nominations – ends up looking indecisive and muddled. The system would treat a dictatorial leader with a closed mind far more kindly. Yet this is hardly what the US wants. Would Americans, in fact, even favour a retreat to the Bush era: to a president who rarely uttered a coherent sentence and was ignorant of the detail of domestic policy?

I am not trying to imply that all of Mr Clinton's problems reflect the inherent difficulties of being president. In many areas of policy, his mistakes reflect an intellectual map that is seriously outdated: like many products of elite US colleges Mr Clinton has an exaggerated faith in the competence of government and a poor understanding of the efficiency of free markets. This explains last year's unhelpful "soak the rich" budget and his continuing appetite for managed trade and other interventions. But since Mr Clinton is one of the brightest US presidents in memory it is safe to predict that many of his difficulties reflect the job. His successors are not going to be popular either.

Soft bark and a weak bite

Bronwen Maddox asks whether the UN's nuclear watchdog has the teeth to do its job



The prospect of a second Korean war has receded with the agreement by North Korea to talk to its southern neighbour for the first time since the second world war. The talks, later this month, will indicate whether the secretive northern regime of Kim Il-Sung can be discouraged from building nuclear weapons.

But whatever the outcome of the discussion, tensions on the Korean peninsula have raised pressing questions about the International Atomic Energy Agency, the United Nations' nuclear watchdog. It was the refusal of North Korea to allow the agency to inspect its nuclear sites which triggered the current crisis.

The Nuclear Control Institute, a respected Washington-based lobby group, attacked the agency last week for failing in its job of "blowing the whistle" on the spread of nuclear weapons. Officials at the US Bureau of Political-Military Affairs, responsible for US strategy on North Korea, agree privately that the agency "has not been as aggressive as it could have been".

The IAEA, a mouthful of vowels pronounced easily by nobody in a UN country, was born in 1957 as part of US President Dwight Eisenhower's "atoms for peace" plan. In line with prevailing optimism about the potential of civil nuclear power, it was given the job of helping UN countries acquire nuclear skills, particularly safety techniques and medical treatments.

It was also given a second, separate role: "safeguarding" or supervising civil nuclear reactors to ensure that their contents were not diverted to bombs. Although the cold war had dented hopes that the superpowers would scale down their nuclear arsenals, it still seemed probable that nuclear weapons' capability could be restricted to a tiny handful of countries.

The signing of the 1970 nuclear Non-Proliferation Treaty by 164 countries has put much weight on that second role: signatories without nuclear weapons were obliged to submit to regular IAEA scrutiny of their civil nuclear programmes. Although inspections now take up only a third of the agency's annual $200m budget, the agency's role as watchdog wins it a disproportionate share of headlines. The treaty's renegotiation next year will put its record under the spotlight.

Criticism of that record begins with a single word: Iraq. In the decade before the 1990 Gulf War, the agency failed to detect Saddam Hussein's $3bn clandestine weapons programme, saying that Iraq complied fully with the treaty. The episode is by common agreement the agency's most embarrassing hour. Mr David Kyd, spokesman at the agency's Vienna headquarters, acknowledges that "Iraq was a shock for us".

After the war, it became clear that Iraq had imported sensitive western technology for a decade, and employed 10,000 engineers in attempting to make nuclear explosives in a dozen desert factories. Those included the site of Iraq's two small reactors, which was regularly visited by the IAEA.

To the agency's critics, the crisis over North Korea's nuclear intentions and capability suggests that the lessons of Iraq have not been assimilated. In particular, they feel the agency was slow to raise the alarm. "The place runs like the post office," says Mr Paul Leventhal, president of the Nuclear Control Institute.

Mr David Kay, the former IAEA inspector in charge of the agency's post-war inquiry into Iraq, who now advises the US nuclear industry, also sees the agency's endeavours in North Korea as technically inept. Its video cameras "are essentially consumer technology", he says. He believes tension in the North Korean capital Pyongyang was heightened unnecessarily because agency inspectors entered and exited nuclear sites repeatedly to replenish batteries and tape, although "there are cameras available which they could have used to beam straight back to Vienna".

In response to these attacks, the IAEA says that people frequently overestimate the scope of its action. "There is a public perception that we were supercops [in Iraq], but we were super-accountants," according to Mr Kyd. The agency carried out its task of monitoring the fuel inside Iraq's reactors, he argues, but it had not looked for a weapons programme separate from these civil reactors, because this is an expensive route to acquiring a bomb.

The agency adds, however, that it has accepted the need for some change. "We are being encouraged by our members to be nosier," Mr Kyd says. Members now pass information on from their intelligence services; photographs last year from the US Central Intelligence Agency helped alert the agency to the North Korean threat.

But the agency's ability to become more intrusive is limited by its statute, Vienna officials argue. They say the frequency of inspections is set strictly in proportion to the size of a country's civil nuclear programme. This condition was set in the 1950s when the threat of Germany, Japan, Sweden and Switzerland acquiring nuclear weapons seemed great and, as a result, IAEA inspectors still spend two-thirds of their time on western Europe, Canada and Japan. "But if we tilted that principle, developing countries would scream 'discrimination' and leave," Mr Kyd says.

That fear – that countries will resign from the IAEA and the NPT – is the greatest restraint on the agency's aggression, according to its officials. They see the agency's twin roles inextricably linked in a fragile bargain. "It is industrialised countries who want safeguards inspection, but developing countries mainly want technological assistance, and would not want to be members of something directed entirely at curbing their research programmes," Mr Kyd says.

To those watching the watchdog, this dilemma lies at the heart of its shortcomings. "If some countries can't live with intrusive inspections, and threaten to leave the IAEA, the world should know," says Mr Kay.

To critics, the agency's attitude to Iran over the next few years will show whether it is overcoming its weaknesses. Western intelligence experts are keeping a close eye on Iran's procurement of technology in its current bid to boost its military strength.

Some of the agency's problems, however, arise from political and technological changes that have arisen since it was created. The countries now embracing civil nuclear power with most enthusiasm are in the developing world and in Asia, which lie outside the agency's traditional areas of expertise.

Fresh techniques have emerged for refining uranium and plutonium to the grade where they can be used for bombs. The disintegration of the Soviet Union has increased the possibility for clandestine trade in assembled nuclear weapons. Meanwhile, reprocessing plants such as the UK's Thorp and France's Cogema will begin to inject large quantities of plutonium into the world's stockpile as a by-product of treating left-over fuel.

To monitor these new threats – trade in nuclear technology, and the production of civil plutonium – the IAEA's statute would have to be extended. Whether that is desirable, or possible, is a question which next year's debate on the NPT's future will have to tackle.

But if governments choose to maintain a pact to curb proliferation, they will need some kind of watchdog. Given the IAEA's performance in the two crises of the past three years, it is fair to conclude that the watchdog will need to be more alert than in the past and probably larger, if it is to succeed in raising the alarm.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Capital not the priority

From Mr D N Vermont.

Sir, While agreeing with much of what Richard Lapper says in his article on reinsurance ("Third force emerges in high-risk world", June 30), I must question his assertion of the pre-eminence of capital among criteria for the well-appointed reinsurer.

Without denying in any way the value and importance of an adequate capital base, proven underwriting and sound management, as exemplified in consistent results and an ability to survive, give better indications of health.

The fragmentation of risk, which is both the method and purpose of reinsurance, allows the small, the medium and the large to co-exist.

The slaughter of the innocents and the not so innocent owes more to the apparent inadequacies of management than of capital.

D N Vermont,
London representative,
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6 Lovat Lane,
London EC3R 8DT

Russian opposition to Latvian stance

From Mr Boris Pankin.

Sir, The article "Held up on the Western line" (June 23) rightly said that the law on citizenship passed by the Latvian parliament on June 21 does not accord with internationally accepted norms since it imposed draconian quotas on non-Latvian permanent residents.

Moreover, according to the assessments by western legislators, this discriminatory law contradicts the Universal Declaration on Human Rights, the International Pact on Civil and Political Rights, and the Convention on Reduction of Statelessness.

By trying to legitimise the deprivation of civil, political, socio-economic and cultural rights of hundreds of thousands of people, Latvian parliamentarians openly ignored the authoritative views of the Conference on Security and Co-operation in Europe and the Council of Europe experts who strongly recommended that the law be amended so as to expedite the smooth integration of a large Russian-speaking minority in Latvian society.

Even the government of Latvia itself appealed to President Ulmanis not to approve this citizenship law.

No wonder the Latvian president ordered parliament to reconsider a controversial piece of legislation and said in a TV interview that the law undermined Latvian prestige in democratic Europe, deprived permanent residents of citizenship and complicated relations with Latvia's neighbours.

Or maybe it was just probing by the parliament to test the vigilance of the international community? And later, the same law, with decorative amendments, will be passed again? Let us hope that this time the Latvian legislators will take into account the concerns expressed from all quarters. I think that world public opinion would welcome a decision to delete notorious quotas and change the discriminatory essence of the law.

This is all the more lamentable since Russia is prepared to develop good, neighbourly relations with Latvia. On June 19 the Russian government decided to submit a package of agreements, signed recently with Latvia including that on a troop withdrawal by August 31 this year, to President Yeltsin for approval and subsequent ratification by parliament.

Boris Pankin,
Ambassador of the Russian Federation,
13 Kensington Palace Gardens,
London W8 4QX

Own goal

From Mr Donald McFarlan.

Sir, Can someone take the generally sagacious Michael Thompson-Noel to one side and quietly point out to him that a light year is a measure of *distance* and not of time ("An inter-galactic goal", June 25/26).

I feel sure that the admirable Miss Lee could have set him straight on this point.

Donald McFarlan,
3 The Tithe Barn,
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Oxon OX6 0NF,
(Lat 51 degrees 51 minutes 30 seconds N,
Long 1 degree 7 minutes 10 seconds W)

View fell flat

From Ms Janet Jones.

Sir, The interesting article by Colin Amery about the Pugin Exhibition (Architecture, June 20) included some debatable interpretation.

Observations ranging from the alleged dependence of William Morris to allegedly ill-informed modern designers may not be supported by fact.

Also, your correspondent's comments about flat designs and flat pack furniture might suggest sympathy with the flat earth movement!

Janet Jones,
Partners - Interiors,
10 Canonbury Place,
London N1 2NQ

Waving the flag, surely?

From Mr David Webster.

Sir, I read with interest and enjoyment the article, "Celebrating rites of passage" (June 25), by Jurek Martin on the recent graduation ceremonies at Harvard.

I also had a daughter graduating from Harvard. My eyes are certainly older than those of Mr Martin, but it was surely not dollar bills being waved by graduates of Harvard Business School, including my daughter, but small flags representing the many nationalities of the school's students.

They were waving them cheerily but not, I think, greedily, although one of the school newspapers circulated at the ceremonies reported that many of the graduates expect salaries (including bonuses) of $100,000 in their first year after graduation.

David Webster,
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Productivity the key measure for R&D value

From Mr Richard Barry.

Sir, Following the Department of Trade and Industry's recent ranking of countries by R&D expenditure (Technology: "R&D Scoreboard", June 17), cries for increased R&D expenditure by the UK have reached a crescendo. So two cheers for your editorial of June 20, "Costly Research". You did leave it to the final sentence, but at least you pointed out that what is really important is R&D output, not R&D input spending. Too few commentators stress the importance of R&D productivity.

The results of oil industry R&D clearly illustrate the huge differences in productivity achieved by competing research teams.

Although an aberration in the OECD Frascati guidelines means that most oil company R&D is not actually counted as R&D, it is possible to correct for this and to look at the true picture.

Like their colleagues in the pharmaceutical industry, oil company scientists and engineers spend about 10 per cent of sales on research for new products – in this case, new oil and gas fields. A Salomon Brothers report, "Proved Petroleum Reserves of 30 Large Energy Companies", allows a calculation that, in the eight-year period 1983-90, research teams in the best performing quartile achieved an average productivity of 0.45 barrels found per dollar spent. The poorest performing quartile achieved only 0.10 barrels.

There is no reason to think such spreads are special to oil researchers. Therefore, if UK research productivity is in the top quartile, calls to cut dividends and spend more on R&D may indeed make good sense. But if our R&D productivity is low, then it is likely to be far more cost-effective to maintain (or even reduce) our spending level while concentrating on improving the quality of R&D management. It is R&D productivity information, therefore, that the DTI should collect, control for quality and then publish.

On the other hand, if top managements do not know the relative standing of their own R&D productivity performance then I'm afraid we should fear the worst.

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FINANCIAL TIMES
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Monday July 4 1994

Swedish bond boycott

The sharp rise in European bond yields this year partly reflects investors' nervousness about deteriorating public finances around the industrialised world. In few countries does such concern look more justified than Sweden. The three-year-old centre-right coalition of Mr Carl Bildt has presided over an explosive build-up of public debt. According to the Organisation for Economic Co-operation and Development, gross general government debt will rise to 93 per cent of gross domestic product this year against only 44 per cent in 1990.

The public deficit, which reached 13 per cent of GDP last year, is now falling slowly as the economy starts to grow after three years of contraction. The most worrying feature is the rise in the structural deficit. According to the OECD, this is only about three percentage points below the actual deficit, partly reflecting large government outlays on the crisis-hit banking industry. The Bildt government has been woefully unsuccessful in reducing government spending, estimated this year at 67 per cent of GDP, against 59 per cent in 1990. Whichever government emerges from the September general election will need to make expenditure cuts a priority.

Against this sobering background, Friday's statement by Mr Björn Wolrath, chief executive of the Skandia insurance group, that it is stopping purchases of government bonds looks understandable, yet curious: understandable, because Mr Wolrath appears to be alarmed by the prospect that the opposition Social Democrats, if victorious in September, could prove even less adept than Mr Bildt in curbing the deficit; curious, because Mr Wolrath must have known his comments would trigger a sharp fall in Swedish bond prices and the krona. The Skandia group, which holds an estimated 4 per cent of Swedish state debt, has thus suffered a large capital loss on its domestic bond portfolio.

Mr Bildt reacted by pointing to the continuing need for deficit cuts and implied that the Social Democrats were not up to the task. This may seem an inadequate response, but the Bildt government has already unveiled plans to prune spending by the equivalent of 10 per cent of GDP over the next five years.

The debt imbroglio highlights a Swedish paradox. Sweden's plans to join the European Union are predicated on its becoming a "core" country capable of taking part in economic and monetary union. However, Mr Bildt's measures to improve the functioning of the economy have left the country far away from the Maastricht convergence targets. Over the longer term, Mr Wolrath's broadside should strengthen politicians' will to implement budget cuts. In the short term, however, the Skandia statement will make Swedish bonds difficult to sell, unless real interest rates rise further and the krona falls. Yet these would merely be palliatives. Sweden's integration into Europe demands urgent pruning of public spending and the fiscal deficit.

Rail dispute

The dispute between Railtrack and the RMT rail union has been characterised by bafflingly complex arguments over pay and, at times, almost farcical misunderstandings between the two sides. But this is not an amusing trip down industrial memory lane. It is a deeply damaging conflict for rail privatisation and for the standing of Railtrack and must be resolved before it escalates.

Managerial foot-dragging and the unfortunate timing of last year's 1.5 per cent public sector pay limit caused legitimate grievances over signalling staff pay to fester for too long. That does not excuse RMT's hasty use of the strike weapon, especially when Railtrack had made clear its basic sympathy with the signal staff case. The relative ease with which the strike has been bypassed by commuters and freight users ought to be a reminder that – regardless of the ownership regime – railway staff are in a fight for their jobs against other modes of transport. If the RMT executive were to decide at its meeting today to escalate the dispute (though there are some welcome indications that the union's negotiators may resist any serious escalation of the conflict), the company and the government would have no choice but to challenge the union's monopoly power on the railways and try to keep the trains running without its members.

It should never have come to this. The rather technical differences between the two sides on modernising the pay structure could easily have been fudged, without conceding any important principle. The fact that the differences have instead been exacerbated suggests either that Railtrack has been looking for a fight or that a culture clash between old British Rail hands and outsiders has led to crossed wires inside the organisation.

The government does not seem to have helped. Hitherto its public sector pay bill freeze has been interpreted with appropriate flexibility and seems to be meeting remarkably little resistance. The 3 per cent increases recommended by some of the Pay Review Bodies were not baulked at by the government and it has even made clear that savings on running costs can be used to boost pay bills. Railtrack should have been left to negotiate alone. That, after all, is part of the point of privatisation.

The pay increases announced on Friday by Railtrack form the basis of a fair settlement. The fact that the offer as it now stands will leave one-quarter of signal staff considerably worse off should not be an obstacle. It is part of the price of a fairer pay system. But Railtrack needs to spell out in more detail how it will compensate the relief signal staff affected. Alternatively, given the very high turnover of relief staff it could announce that the new terms apply only to new recruits and those on existing rates can keep them until they give up the job.

Arafat in Gaza

Another important, if still largely symbolic, stage has been passed in the Middle East peace process. Mr Yassir Arafat, having signed an outline peace agreement with Israel and won recognition for the Palestine Liberation Organisation, has now returned to territory freed from occupation. With the toughest part of the negotiations yet to come, it is vital for Mr Arafat and the Palestinians to build quickly on what has been achieved. This means buckling down to the detailed work of creating a viable administration.

Miracles are not expected. The heavily populated Gaza strip and Jericho suffer serious economic deprivation and guerrilla organisations do not breed efficient bureaucrats overnight. Mr Arafat also faces political opposition from Islamic and radical forces, thousands of Palestinians are still in Israeli jails, while more than 30 per cent of the Gaza strip remains in Israeli hands, along with virtually all the West Bank.

But the achievements can already be appreciated. The level of violence in Gaza has dropped sharply and the Palestinian police force appears to have made a good start. More than $2.4bn is available over the next five years to rehabilitate and improve the infrastructure. Some of these funds have also been necessarily committed to budget support and assisting the Palestinians establish a bureaucracy. There is too much at stake for donor governments to insist on unreasonably high standards of transparency and accountability.

In return, they have every right to expect Mr Arafat to behave in the democratic manner to which he is committed. Elections for an interim Palestinian self-rule authority are due to be held just as soon as Israel has completed its withdrawal and troop redeployment in the West Bank. Mr Arafat should not be allowed to duck that requirement.

Israel also bears a heavy responsibility for the success of the present experiment. Pulling out of the West Bank carries a much weightier domestic political price than departing from Gaza, but speed and a greater flexibility in Israel's negotiating stance are essential if even the modest momentum so far achieved is to be sustained.

The Israeli government of Mr Yitzhak Rabin should be additionally buoyed by Jordan's agreement to resume direct bilateral negotiations later this month. The issues which divide the two governments are by no means minimal, but should be capable of resolution within relatively few months. The return of Mr Warren Christopher, the US secretary of state, to the region shortly also suggests there is some chance of a breakthrough in Israel's negotiations with Syria.

Symbolism may not be a substitute for substance, but the message behind the television pictures of Mr Arafat, back on his home territory and being cheered by thousands of Palestinians, will not have been lost on President Hafez al-Assad or King Hussein.

The new World Trade Organisation leader will shape its role on the international stage, says **Guy de Jonquières**

Someone to sail the trade winds

Wanted: dynamic leader for new international institution. The ideal candidate will possess global strategic vision, yet be at home with technical complexity, while combining a diplomat's finesse with proven administrative skills and the instincts and forceful leadership of a seasoned politician.

This superman – or superwoman – is being sought to head the World Trade Organisation, due to succeed the General Agreement on Tariffs and Trade early next year. The new body will have a more formal structure, stronger disciplinary powers and, potentially, a far more wide-ranging role than its 47-year-old predecessor.

Governments and trade policy experts worldwide have expressed optimism that the WTO will develop into a pre-eminent forum for international policymaking, which will take the lead in creating a framework for the orderly management of global economic change into the next century.

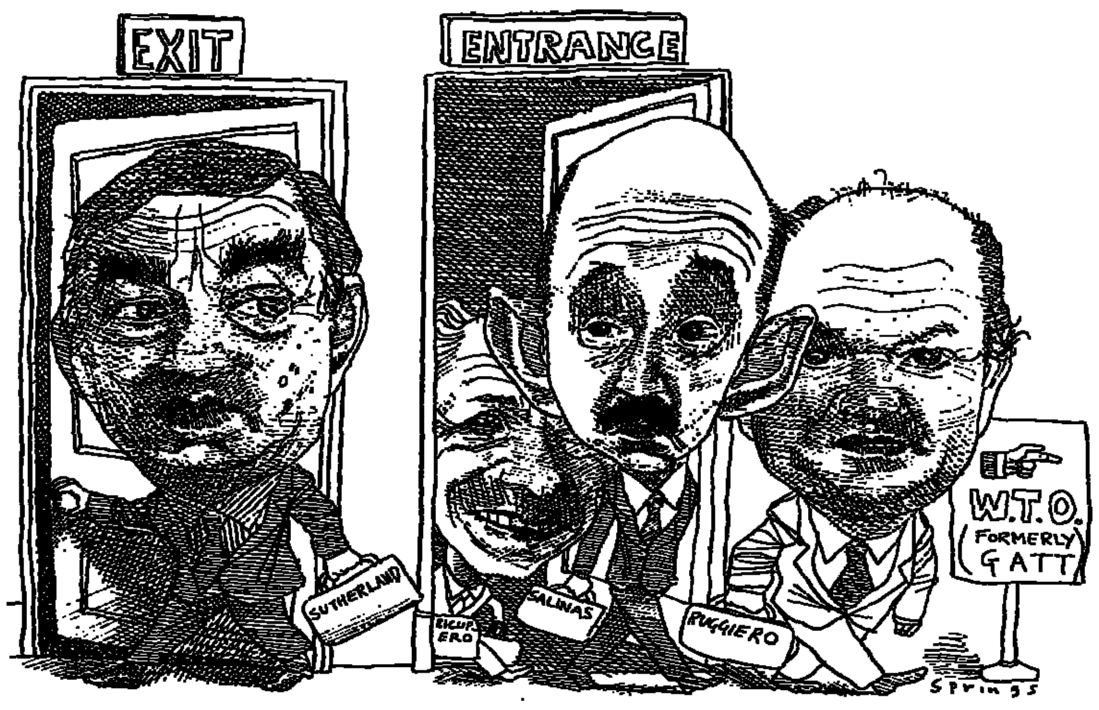
It is widely agreed that the WTO's influence will depend critically on the choice of its first director-general. "Whoever does this job, and does it well, will leave a mark on history," says Professor John Jackson of Michigan University, a leading authority on international trade law.

That prospect has triggered a race in which the declared candidates so far are President Carlos Salinas of Mexico; Mr Renato Ruggiero, an Italian former trade minister who has also been canvassed as a possible president of the European Commission; Mr Rubens Ricupero, Brazil's finance minister and Mr Kim Chul-su, South Korea's trade minister. More names may emerge before the lists close at the end of this month.

Much as trade policy purists may wish the appointment to be decided solely on merit, political manoeuvring is set to play a big role. The final choice, expected to be reached by informal consensus in late autumn, will be heavily influenced by the interplay of national pride, regional rivalries, economic self-interest and mutual suspicion among Gatt's members.

Already, the competing Mexican and Brazilian claims on the post have divided loyalties in Latin America. An even more bruising confrontation – or a stalemate – may develop if the US bats strongly for Mr Salinas, and the European Union digs in behind Mr Ruggiero.

The decision also risks becoming entangled in wider horse-trading over other heavyweight international appointments this year. Besides the presidency of the European Commission they include the top jobs at the Organisation for Economic Co-operation and Development, the North Atlantic Treaty Organisation and the Western European Union.



All this points to a much more complicated choice than last year's appointment of Mr Peter Sutherland as Gatt's director-general, a post he will vacate soon for personal reasons. Mr Sutherland's candidacy swiftly gathered support because he was widely perceived as the right man to tackle the biggest challenge then facing the world trade system – completion of the protracted Uruguay Round negotiations.

The WTO head will be handed a far less clear-cut mandate. Views on the body's role and the job's functions vary widely, reflecting the differing political interests and economic priorities of those who will have a say in filling it.

The WTO was inspired by plans in the 1940s for an International Trade Organisation, intended as a stablemate for the International Monetary Fund and World Bank. When the US Congress vetoed the idea, the Gatt was set up on a "provisional" basis.

But the ITO was conceived in a world far different from that in which the WTO will be born. While the original design was drawn up for about 50 countries, most with war-shattered economies, the new body will start with more than 120 members, ranging from super-rich to dirt poor.

Gatt has coped with this diversity by allowing countries to opt out of some of its commitments. But every WTO member will be required to sign up to almost all its obligations. Furthermore, in contrast to the IMF and World Bank, where voting power is weighted in favour of wealthy countries, each WTO member will have an equal vote.

Gatt has an impressive record of forging consensus, which has satisfied big countries without trampling on small ones. But some observers believe that will be harder in future. "Creating consensus in the WTO will be enormously difficult," says Mr William Brock, a trade policy consultant who served as President Ronald Reagan's top trade negotiator.

The organisation's cohesion will be tested by a growing array of challenges, which reflect the changing focus of trade policy and shifts in the structure of the world economy. They include:

- The thrust of liberalisation efforts into largely uncharted territory, such as the treatment of foreign direct investment and services.
- Pressure to address links between trade and complex – and often highly emotive – questions such as minimum labour standards and environment policy.
- The impact of sudden capital market and currency fluctuations from which, some experts fear, countries could seek to insulate themselves through trade barriers.
- The accession of about 20 further countries, led by China.
- Mounting stresses within countries, particularly in the industrialised world, as they face increasingly fierce global competition.

"All the instincts of the main industrialised countries are to seek security and slow the pace of change," says Mr Brock. "Only the really aggressive emerging economies will have a free hand in pressing ahead. Everyone else is constrained by problems at home."

The head of the WTO can potentially wield much influence over how these problems are tackled, and over the future global policy agenda. However, the job enjoys limited formal powers and resources. The Gatt secretariat, which the WTO will inherit, has a SFr94m (£45m) budget this year and only 175 professional staff. A proposal to add 50 is under discussion.

By common consent, the WTO head will need to rely heavily – as Mr Sutherland has done with great success – on his personal qualities and skills to make an impact. But there is less agreement on what these should be.

Some experts think a master of policy detail is required, who will establish the organisation's authority by perfecting its mechanics – notably its new dispute settlement procedures – and broking behind-the-scenes deals in Geneva. Others, however, want someone with a high public profile, who will focus on broader strategic issues and deal directly with government leaders.

Mr Ruggiero and Mr Salinas personify some of these differences in approach. The former has emphasised his credentials as a capable administrator with wide international experience, gained in Brussels, the Gatt and at world economic summits. But sceptics ask whether he has enough vision and stature for the job.

Mr Salinas's biggest attraction is his boldness in presiding over sweeping liberalisation, which has made Mexico a model of developing country reform. However, some wonder whether, as a head of state, his style is too grand and authoritarian for the WTO.

Regional ties are also an issue. They are aggravated by mutual suspicions between the industrialised powers which have long dominated Gatt's affairs, and the developing countries which make up most of its membership and account for an increasing share of world trade and economic growth.

Mr Ruggiero must convince doubters that Brussels' backing will not make him a champion of narrow EU interests. Mr Salinas's origins may have wider appeal – but only if he can show clearly that he is not beholden to patronage from Washington.

Whether any candidate can meet all, or most, of the requirements on the wish-lists circulating in Geneva and world capitals looks doubtful. But with more names likely to enter the race, the pace of international wheeling and dealing is set to quicken. The final choice may call for all the negotiating skills and talent for last-minute compromise which the Gatt can muster.

An agenda for full employment

Personal View

When I was elected general secretary of the Trades Union Congress 10 months ago I was able to set as one of the organisation's principal objectives helping to raise full employment in the UK to the top of the political agenda.

Tomorrow we take a step towards that objective when the TUC and the Employment Policy Institute, the independent think tank, host a conference that brings together the employment spokesmen of the three main political parties with the director general of the Confederation of British Industry and other key figures, including representatives of the unemployed themselves.

None of us underestimates the scale of the task. And I am sure all will acknowledge that full employment is unlikely to be achieved in one country alone, not least one as dependent on international trade as the UK.

But there are some things which can be done to set us in the right direction. For a start I believe there is some more room for discretionary management of demand. The economy needs to grow above the 2.5 per cent trend to get unemployment down. We cannot create 3m jobs by demand management alone and there are obvious constraints on national action, but I do believe that this recently neglected weapon of economic management can play a substantial role. The conditions are now favourable with low inflation, excess capacity and European recovery picking up.

However, at the heart of any policy for full employment has to lie a strong international trading sector. Without successful competitive companies we shall not be able to raise living standards and deliver quality public services.

In Britain, we do have some highly competitive companies. Almost invariably they pay well, train well and have good industrial relations based on an established relationship with trade unions. Some, like Rover, have turned themselves round in recent years with the help of the workforce. The first task then is to learn from these companies, to spread best practice in terms of training, industrial relations and the high standards of health and safety which also characterise the best companies.

But we cannot rely on the competitive sector alone. If we do, there is a serious danger of reinforcing the growing social divisions with a well rewarded group of insiders, a growing number of working poor and a large pool of unemployed.

At the heart of any full employment policy has to lie a strong international trading sector

It has been argued that one means of filling the jobs gap is for the working poor and jobless to lower their expectations and with them their wage rates. Pricing people into jobs has been tried over the past 15 years and the results are today's unacceptable divisions. In the interests of social stability we cannot afford to widen the gap between the insiders and the rest.

The obstacle to full employment is not just the number out of work but the number of people out of work for a long period of time. As unemployment has fallen in recent months the number out of work for a year or more has not come down with it.

Practical measures to help such people back into work must be an essential element in a programme for full employment. The government's workstart scheme picks up a useful idea first put forward by Professor Dennis Snower to transfer the benefits of the unemployed to an employer who was prepared to take that person off the dole queue. This scheme deserves to be given a better chance than the pilots so far under way. Trade unions will support such schemes provided they are voluntary and can be shown to raise employment levels rather than subsidise jobs that would have been created anyway. Trade unions can and are playing a part in the process; in Barnsley, for instance, the trades union council is working with the local training and enterprise council in delivering help for the jobless.

Finally, we need to generate a greater sense of social solidarity where those who can afford it accept that it is their duty, and to their advantage, to meet the costs of bringing back into society those who currently feel excluded because they do not have work and cannot see an opportunity to get any meaningful work.

Solidarity is a traditional trade union virtue. But the case for solidarity is not just a moral one; it is also an economic one. Left to themselves small and medium-sized firms will not train; they will only poach, and that worsens the inflation/unemployment trade off. We need a training levy to share the finances fairly.

We need co-operative arrangements not just to raise the skill of the nation's workforce but also to ensure that the benefits of productivity growth in the competitive sector are shared among the unemployed and the increasing numbers of low-paid people in precarious jobs.

John Monks

OBSERVER

Bottoms up for Greece

■ You'd think Greece would have had enough of presidencies after recent events at Corfu. Not a bit of it. Now it's taken the helm of Black Sea Economic Co-operation.

Set up by Turkey in 1992, B-SEC (as it's pronounced) has the tricky job of welding together 11 member states, some of which have severe bilateral disputes, not least war.

Never mind. The members – including Armenia, Azerbaijan, Russia and Turkey – are now establishing a Black Sea trade and development bank. Wasn't the European Bank for Reconstruction and Development set up for a similar purpose? Apparently even the EBRD's intended clients have overlooked its existence.

Previous B-SEC president was Alexandre Chikvaidze, Georgia's foreign minister and a tough act to follow, at least in the joke department.

Chikvaidze says he merits space in the Guinness Book of Records – as the only Georgian minister in living memory who relinquished a political post while sober and healthy.

Spot the director

■ Early days yet, but stock market players might want to consider Observer's latest stock selection toy. It's called a Paddy Linaker, after the boss of the M&G fund management giant, who steps down at the end of the month.

It works on the principle that Linaker is dead set against companies cutting their dividends and would not join the board of a company which he thought might do so. Thus Linaker's joining a board implies it is most unlikely to cut the dividend.

So far he has joined the boards of the TSB and Fisons. Admittedly, Fisons shares should have risen on the announcement of Linaker's appointment – not fallen. Maybe that just shows the stock market has got it wrong again.

Any more of this contrarian thinking and we'll *all* be in the soup.

Where's the beef?

■ With the dollar plunging daily against the seemingly impregnable yen, a leading Tokyo hotel – the Akasaka Prince – has a dish to help dollar-denominated travellers look after both appetite and wallet.

It is called, rather unenticingly: "$10 beef bowl with cup soup". More temptingly, it's also "calculated on today's rate of exchange".

Last week the dish cost Y958, before tax and service. The week before the price was Y1,020.

Sure, Y62 gets you little more than a used matchstick in today's Japan; but even a toothpick has its place – with, say, the beef bowl soup.

'How many performance stars have you got?'

Wind of change

■ Something peculiar is happening to South Africa's currency, the rand, mid-air over the Atlantic Ocean. It suddenly devalues from the rate offered by banks – R5.6 to £1 – to R12 to £1. Or at least, it does if you fly with British Airways.

BA cabin staff on the London-Johannesburg flight have been told that, with effect from July 1, the airline's duty free prices are calculated at R12 to £1. Thus a passenger on Saturday's flight to London found his R130 were worth only £10.86. A sympathetic purser encouraged him to complain: "We don't understand either".

Well, *someone* has to foot BA's recent legal bills.

Mercury rising

■ The heat is on the Press Association. PA has informed its customers that because no-one in Britain understands the Celsius measurement of temperature, it's reverting to Fahrenheit.

What about returning to other basics, such as bringing back long-loved British coins like the farthing, the sixpenny piece and the florin? Any chance of the half-crown making a comeback? Come to think of it, Prince Charles has been doing just that.

Junkie food

■ Some thoughts from Paul Preston, holder of a degree in Hamburgerology, chairman of the Employers' Forum on Disability, and chief executive of the UK arm of McDonald's, which is currently spending an estimated £1m on suing for libel two unemployed people in London's High Court.

Independent, April 30: "Think of the first Caribbean holiday you ever had. The second one was not so exciting, was it? And the third one even less so. Everything has to be re-packaged and re-marketed."

Sunday Telegraph, January 9 1994: "We cannot afford unhappy people because we have to have them coming back time after time."

Independent, July 16 1991: "McDonald's isn't a job. It's a life."

Financial Times, June 28 1985: "Sometimes I think if you cut a McDonald's employee, he would bleed ketchup."

Make mine a Burger King . . .

Swizz Cottage

■ London Underground's Customer Charter works, but madly. A colleague has received from the Tube two letters, delivered simultaneously, in response to a claim for a delayed journey in February. One letter apologised but said as the delay was caused by a possible bomb at Cannon Street station, there would be no refund, as security alerts are beyond the Tube's control. The second, signed by the same person, regretted the same delayed journey – and contained a voucher for £1.30.

Dumb-struck

■ This one can hardly be pinned on Mossad. Yassir Arafat was yesterday rendered silent while visiting Gaza, his voice gone after two days of non-stop speechifying. Some Israeli politicians must be regretting they didn't let him home years ago.

FINANCIAL TIMES
Monday July 4 1994

EU to compile record of how ministers vote

By David Gardner in Brussels

The Council of Ministers, where European Union member states decide laws in secret, is to compile for the first time a central, public record of how ministers vote.

The policy change is expected to be announced this week in a written response to a Financial Times request for a record on qualified majority voting (QMV) by ministers going back to 1989.

According to EU diplomats, the council letter will contain a final refusal of the request for voting records. But it will state that from now on, there will be a formal and open register of how ministers line up to legislate on behalf of 340m EU citizens.

The refusal to disclose the voting record on more than 300 laws passed in 1989-93 was the result of resistance by a German-led coalition of nine member states, opposed by the Netherlands and Denmark. The UK in the end brokered a compromise.

The council's general secretariat in May turned down the FT's initial request for information, made under new provisions for public access to EU documents, claiming it "does not compile voting records". A second request forced an appeal, obliging the council under the new rules to reply before July 6.

Member states, meeting under the council's general affairs group on June 17, withdrew a second rejection of the request when the Netherlands and Denmark vetoed it and the UK switched to join their side.

The draft rejection letter asserted that "the council is not in possession of any such statistics" on QMV. The votes are recorded, but in the minutes of ministerial meetings, which the council refuses to release.

At further meetings of the general affairs group on June 28, and of the 12's ambassadors to the EU on June 30, the Dutch and Danes called for a full debate at ministerial level.

But "there was nothing approaching a serious 'yes'," one EU diplomat says, as the German-led majority, flanked by lawyers, stood fast.

The council's legal defence appears to be that there is no single document recording QMV votes, but there will be one in future. The UK was under pressure from two questions to the government on QMV in the House of Commons. The first was answered by Mr David Heathcoat-Amory, Foreign Office minister, on June 27, saying "the UK is arguing that the response to the Financial Times should be as helpful as possible." A second is still to be answered.

Participants' accounts of the three council meetings since June 17 on the issue make clear that the main underlying fear about going into the past record on QMV is that ministers could risk being accused of misleading the public and/or their national parliaments.

The council reply to the FT now being prepared will make clear that "the council often takes decisions without a formal vote where it is clear that the required majority exists".

The new policy should bring with it some changes in the habits of the secretive council. As one EU diplomat points out, "the way people vote often depends on whether they know it's going to be published".

Pay package clears path for German postal sell-off

By Michael Lindemann in Bonn

The final hurdle blocking the sale of the German postal and telecommunications service, the country's largest privatisation yet, was cleared at the weekend when management and unions agreed a pay and benefits package.

After four weeks of acrimonious negotiations, the agreement allows for the final passage of legislation approving the privatisation of the postal and telecommunications service at the beginning of next year. It also marks an end to a string of nationwide postal strikes which delayed an estimated 70m letters and packages.

The opposition Social Democratic party (SPD) had said it would use its majority in the Bundesrat, or upper house, to overturn a recent vote to change the constitution and approve the privatisation unless management and unions came to an agreement. The package agreed early on Saturday guarantees the present wage brackets until mid-1996 and also makes provisions that will bring the status of employees in eastern Germany in line with standards in western Germany. A negotiating team representing the three companies said it had gone to the "limits of what was managerially responsible" as pressure grew to keep to the privatisation timetable.

The state-owned service which employs 670,000 people, will now be turned into three companies on January 1, 1995: Deutsche Telekom, Postdienst (the postal service) and Postbank, the banking arm.

The postal sale is the centrepiece of a privatisation drive by Chancellor Helmut Kohl's Christian Democrat-led government which recently agreed to reduce its 51 per cent stake in Lufthansa, the national carrier, and is making further efforts to reform the railway company, Deutsche Bahn, which was turned into a state-owned company at the beginning of the year.

However, the German Postal Union (DPG), a determined opponent of privatisation since it was first proposed in 1989, had demanded that management guarantee all employee benefits following privatisation. These include around 100,000 subsidised apartments, money towards new shoes for postmen who wear out their soles on postal rounds and the right to a cold drink in temperatures hotter than 26 degrees Celsius.

Many of these benefits are up for renegotiation in mid-1996 but there are fears that a series of other agreements between the government and the SPD may make it difficult for Deutsche Telekom, the first of the three companies which will be fully privatised, to match the performance of international competitors.

Private sector offered role by Clinton

By Nancy Dunne in Washington

The Clinton administration is planning to give the private sectors of North and South America an unprecedented role in constructing the policies governing the economic integration of the two continents.

This will begin with the presentation at the Miami Summit of the Americas in December of an action plan for liberalising trade and harmonising business regulations. The plan will be based on a white paper which the administration has requested from US business organisations and their Latin American counterparts.

Senior administration officials are currently criss-crossing South America meeting government ministers to draw up the summit's agenda.

Mr Ron Brown, US commerce secretary, who returned at the weekend from a trip to Brazil, Argentina and Chile, said he had asked ministers to request participation from their business sectors. He plans to write to the governments of the other countries involved in the summit to request similar input.

When President Bill Clinton in March this year announced plans for the first summit of democratically elected leaders in the Americas, he promised that labour and non-governmental organisations would have a role in planning the agenda.

A successful summit, laying out long-term plans for closer integration of the American economies as a means of shoring-up democracies, could provide some rebuttal to the administration's detractors. Mr Clinton has been widely criticised for the the absence of a broad vision in post-cold war foreign policy.

Mr Brown, speaking on his flight back to Washington, said the Miami summit would be followed next spring by a hemisphere trade and commerce forum hosted by him and Mr Mickey Kantor, the US trade representative. This would be the start of an annual process reviewing the action plan and adopting new measures to ensure economic growth and integration across the Americas.

While in Chile, Mr Brown reiterated US commitment to work on a free trade pact with Santiago. Canada and Mexico still had to be consulted on whether it was to be a bilateral pact or an enlargement of their North American Free Trade Agreement with the US.

US and Chilean officials have been studying each other's trade regimes in preparation for talks which must wait until Congress has given the administration new "fast track" trade negotiating authority. This was requested by the White House along with the implementing legislation for the Uruguay world trade round.

THE LEX COLUMN

Mutual disadvantage

The government's proposed changes to the Building Societies Act due to be unveiled this week seem set to give societies more flexibility to raise wholesale funds in the money market. It is less likely – especially while the Lloyds bid for Cheltenham & Gloucester remains subject to possible appeal – to propose much by way of reform of the industry's traditional mutual structure. That is a pity because deregulation of funding will only accentuate the anomaly of present arrangements.

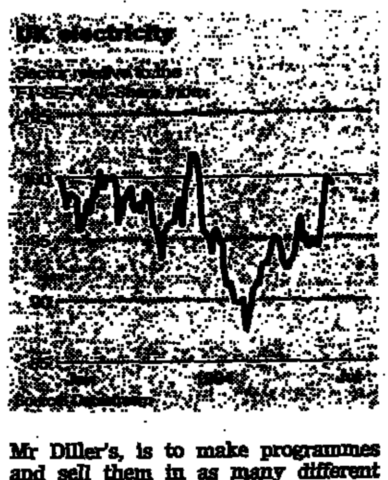
Supporters of mutuality argue that it offers choice and works effectively. Yet it also creates many problems. Why should a small depositor gain immediate title to a share in reserves built up over many years? Since such title exists, why should members have difficulty realising its value? The mutual structure makes even friendly takeovers by outsiders exceedingly difficult, so there is no market for corporate control and limited accountability for management.

Above all, the mutual structure should not be impregnable. The real problem is finding a way of achieving this without risking destabilising flows of savings. One solution might be to weight voting rights according to duration of membership. That would reflect the appropriate share of individual building society members in accumulated reserves. Predators would have to pay most to members with the longest-term interest in the society. If they have stayed around out of satisfaction with their society's service, they might also be those least inclined to take the money and run.

CBS/QVC

CBS, the leading US broadcaster, could clearly do with a bit of sizzle. And Mr Barry Diller, chairman of cable television shopping channel QVC, could probably provide that. So the idea of putting the two groups together has appeal. But the question rival media groups and their investment bankers will have probably spent much of the weekend asking is whether there is anything unique in Mr Diller's wizardry.

The answer is probably no. What CBS lacks is experience in marketing its programmes and powerful brand name outside its traditional broadcasting market. While QVC has those skills, so do other cable TV and entertainment groups such as Walt Disney and Mr Ted Turner's Turner Broadcasting System. Their philosophy, like



Mr Diller's, is to make programmes and sell them in as many different formats, packages and geographical markets as possible.

A battle for CBS on the lines of the $10bn battle for Paramount, which Mr Diller lost, is therefore a distinct possibility. Much will depend on legal and regulatory issues. Would CBS be required to consider a rival bidder since the deal has been structured as a merger not a takeover? How easy would it be for rival bidders to get regulatory clearance given the complex restrictions on cross-media ownership? CBS is such a prize that it seems hard to believe such barriers will prove insuperable. Moreover, if rival bidders are prepared to pay handsomely, Mr Laurence Tisch, the 71-year-old CBS chairman, who also owns 20 per cent of its stock, may not even want to deter them.

Electricity

After a 7 per cent rise last week, the regional electricity companies have regained all the ground lost relative to the equity market earlier in the year. The reasons for this sudden change of sentiment are hard to pinpoint; full year results and dividends at the top end of expectations, combined with thin trading activity, are the most likely explanations. But there is no new reason for optimism about the forthcoming regulatory review of electricity distribution. One-off price cuts averaging perhaps 20 per cent and annual reductions of 3 to 4 per cent below the rate of inflation still look likely. In April this prospect was enough to send the sector into a spin.

True, the latest set of strong results has allowed dividend cover to be increased by rather more than expected. If the same can be achieved this year, the electricity companies will have more freedom for manoeuvre on dividends once the tougher regulatory regime starts to bite. The companies also used the results season to foster optimism about their ability to deliver cost savings. Shareholders will feel the benefit if efficiencies beyond those demanded by the regulator can be delivered.

Even taking these factors together it is difficult to argue that the outlook for dividend growth has been transformed. But the bulls and bears of the sector are separated by shades of optimism about whether the electricity companies can build enough dividend cover and cut costs fast enough to offset the coming regulatory squeeze. The pendulum of opinion could just as easily swing back the other way.

Retailing

If the stock market is any guide, Britain's shopkeepers have shrugged off tax rises and are expecting consumers to carry on spending with abandon. Since February, the stores sector has been among the market's most resilient. That may partly reflect negative reasoning: investors have viewed stores as a safe haven as storms have raged in other markets. Marks and Spencer, Boots and GUS, which account for 60 per cent of sector capitalisation, are dependable stocks with cast-iron balance sheets, high quality earnings and marginal overseas exposure.

But the other great appeal of shops is they are seen as a good hedge against inflation. That was undoubtedly true in the 1970s but it might not prove to be the case today. In mature competitive industries, modest inflation is hard to pass on to customers – as the grocery industry has already shown. Retailers' earnings will be squeezed by other pressures, too. Many groups have announced big investment plans, threatening to add capacity in excess of sales volume growth. Landlords will also become less generous with rent discounts while foreign entrants to the market are turning up the competitive heat.

The stores sector undoubtedly has great potential for generating surplus cash. That raises the possibility of dividend increases or special pay-outs. But the sector would have to raise its collective yield substantially to match the market average. It is also somewhat quirky for retailers to stand on both earnings and dividend premiums at the same time.

Arafat

Continued from Page 1

ment slogans. "Rabin is a Traitor! Don't give away the land of Israel to a Hitler," shouted one teenager, accusing police of being "Nazis".

The demonstrations, however, appeared to be fizzling out. Several cabinet ministers said yesterday that Mr Arafat's visit had furthered the peace process and helped to reassure Israelis.

City seeks economic plan

Continued from Page 1

weaknesses to be explored are London's expensive image and worries over the effects on business of the government's attitude to closer European integration.

The strategy will include an action plan for improving the attractions of the Square Mile as a location for the headquarters of international companies and other organisations. At the same time, the corporation will also be setting up an office to attract business from the former Soviet bloc countries. The Central and Eastern European Trade Centre will offer research, consultancy and translators for companies and trade missions.

Both moves reflect the growing leadership role being adopted by the corporation in bringing business to London.

FT WEATHER GUIDE

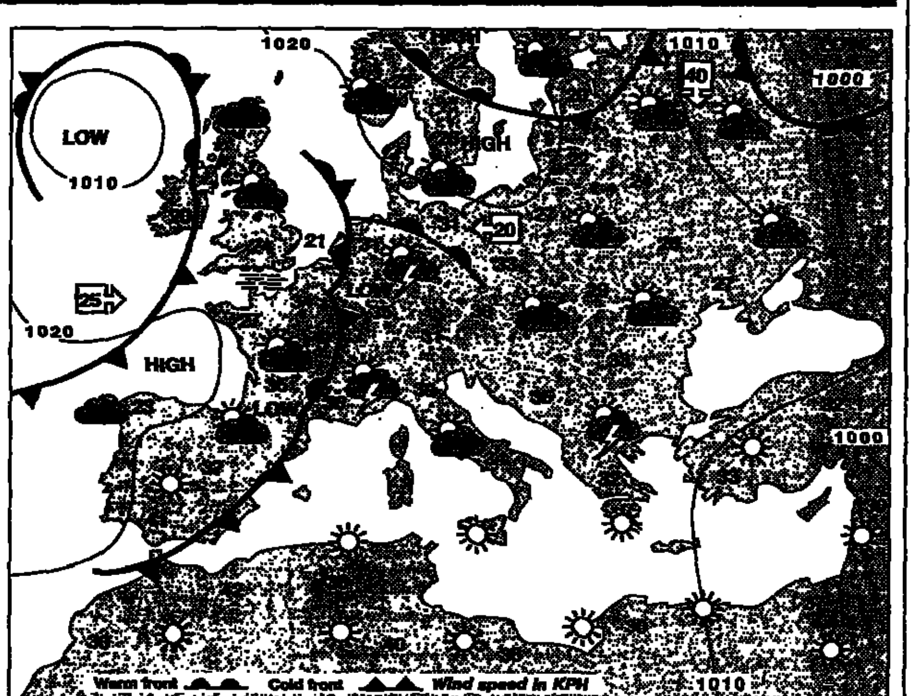
Europe today

The high temperatures will continue for much of Europe. Parts of Germany and Luxembourg will be exceptionally warm with readings locally above 35C. These moist and tropical conditions will bring several thunder storms to France and Belgium, and later over the Low countries. The coastal areas of these countries will also have sea breezes, low cloud and some patchy mist. Cooler air from the Atlantic will arrive over the British Isles bringing cloud with some outbreaks of rain especially in the north. Northern Europe will have sunny, dry and warm conditions.

The Mediterranean region will have hot and mostly sunny conditions with only a few thunder storms over Greece.

Five-day forecast

Western Europe will remain sunny and mostly dry. Dry and stable conditions will persist in Scandinavia where temperatures in the south will rise above 25C. Eastern Europe and the Balkan states will remain hot with temperatures between 30C and 35C. Thunder storms will develop over Greece, particulary in the afternoon and evening.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	38
Accra	cloudy	28
Algiers	sun	38
Amsterdam	sun	31
Athens	sun	33
Atlanta	thund	28
B. Aires	sun	16
B.ham	shower	23
Bangkok	shower	33
Barcelona	sun	30
Beijing	fair	34
Belfast	shower	20
Belgrade	fair	35
Berlin	fair	32
Bermuda	fair	31
Bogota	fair	18
Bombay	rain	30
Brussels	fair	34
Budapest	fair	36
C.hagen	fair	26
Cairo	sun	37
Cape Town	fair	21
Caracas	shower	28
Cardiff	shower	19
Casablanca	sun	30
Chicago	rain	31
Cologne	fair	35
Dakar	shower	28
Dallas	sun	38
Delhi	shower	36
Dubai	sun	36
Dublin	shower	20
Dubrovnik	fair	32
Edinburgh	shower	22
Faro	sun	30
Frankfurt	fair	36
Geneva	fair	35
Gibraltar	sun	33
Glasgow	shower	21
Hamburg	fair	32
Helsinki	fair	22
Hong Kong	thund	32
Honolulu	fair	31
Istanbul	sun	29
Jakarta	shower	31
Jersey	fair	18
Karachi	cloudy	35
Kuwait	sun	45
L. Angeles	sun	26
Las Palmas	sun	26
Lima	cloudy	18
Lisbon	sun	27
London	fair	26
Lux.bourg	fair	35
Lyon	fair	35
Madeira	fair	26
Madrid	sun	37
Majorca	sun	37
Malta	sun	32
Manchester	shower	22
Manila	shower	33
Melbourne	shower	16
Mexico City	fair	20
Miami	thund	32
Milan	sun	37
Montreal	sun	27
Moscow	fair	23
Munich	sun	35
Nairobi	shower	22
Naples	sun	33
Nassau	thund	31
New York	sun	30
Nice	sun	29
Nicosia	sun	36
Oslo	sun	26
Paris	fair	34
Perth	fair	21
Prague	fair	34
Rangoon	shower	32
Reykjavik	shower	16
Rio	shower	24
Rome	sun	33
S. Frsco	fair	23
Seoul	rain	28
Singapore	rain	31
Stockholm	sun	25
Strasbourg	fair	38
Sydney	sun	19
Tangier	sun	31
Tel Aviv	sun	33
Tokyo	fair	35
Toronto	sun	27
Vancouver	shower	17
Venice	sun	33
Vienna	fair	35
Warsaw	sun	30
Washington	fair	32
Wellington	fair	11
Winnipeg	rain	26
Zurich	sun	33

FINANCIAL TIMES
COMPANIES & MARKETS

Monday July 4 1994

MARKETS THIS WEEK

GERARD BAKER
GLOBAL INVESTOR
Tokyo had everything last week. And despite all that the yen finally reached parity with the US cent. The markets paid little heed to the country's increasingly surreal political developments, but the yen was another matter. Page 20

MARTIN WOLF:
ECONOMIC EYE
The US is determined to get protection of labour standards incorporated into world trade law. Martin Wolf argues that this demand lacks justification, will not be honestly enforced and would not help the poor if it were to be. Page 20

BONDS:
Although it has not been hit as hard as other countries, Japan's government bond market has not been spared during this year's worldwide tumble in bond prices. Signs of economic recovery, currency volatility, a heavy supply of new bonds and political uncertainty have combined to push bond yields up by about 1.5 points since January to a high of 4.6 per cent last week. Page 22

EQUITIES:
London: The stock market is looking forward to this morning – effectively the start of the third quarter of 1994 – with more optimism than seemed possible only a week ago.
Italy: July marks the beginning of the summer holidays for many Italian companies. But this year it also marks the end – or nearly the end – of a frenetic four or five weeks of globe-trotting presentations by Italian executives, trying to sell their new issues of shares to international investors. Page 23

EMERGING MARKETS:
Hungarians, Budapest's brokers among them, call the summer the cucumber season, when nothing much happens. But Hungary's securities houses are far from vegetating. Page 21

CURRENCIES:
Foreign exchange markets look set for a bumpy ride this week as traders watch anxiously to see whether G7 countries come up with a concerted plan of support for the dollar. Page 21

COMMODITIES:
Representatives of coffee producing countries will gather in Brasilia, the Brazilian capital, on Thursday to undertake the relatively pleasant task of deciding how to manage a bull market. Page 20

UK COMPANIES:
Life assurer United Friendly has started legal action over its purchase of Acuma, the UK pension financial consulting and life insurance company, from American Express. Page 18

INTERNATIONAL COMPANIES:
Mexico's government has proposed a sweeping liberalisation of its long distance telephone market from January 1997. Page 19

STATISTICS

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■ Multi-millionaire bond trader sees himself as victim of smear campaign

Jett joins battle with Kidder Peabody

By Richard Waters in New York

As Joseph Jett sees it, it is largely about race. Two and a half months after he was sacked from Kidder Peabody after allegedly mounting a $350m trading scam, the black trader is beginning his fight back – and out to paint himself as the victim of a smear campaign.

"They depicted me as being an urban black criminal," Mr Jett says now of Kidder and its parent, General Electric.

"That is something I rail against. I have never in my life attempted to use my race as an advantage. I cannot allow it to be used as a weapon against me – and that is what Kidder and GE's ... public relations blitz was."

The continuing saga of Joseph Jett is proving baleful for Kidder. The revelation in April that the firm's profits had been overstated in earlier years by $350m – fictitious profits that the firm claims Mr Jett conjured up through his bond trading – touched off a deeper scepticism on Wall Street about the security firm's health.

That resulted at the end of last month in the departure of Kidder's chairman and chief executive, Mr Michael Carpenter.

The Joseph Jett affair is unlikely to end there.

He will not discuss the specific allegations that Kidder has levelled against him, but it is clear that the former trader will try to implicate other senior executives.

Referring to management oversight of his trading strategy, Mr Jett says: "Kidder is one of the flattest organisations on the street. The management is direct, it's right there. The things that made Kidder strong – the flatness of the organisation – meant that management had to be involved."

The rise and fall of Joseph Jett is a story with a moral – whatever your point of view. According to Mr Jett himself, an articulate, Harvard-educated 36-year-old, it is all about how powerful corporate interests gang up on an outsider when a scapegoat is needed.

Kidder was losing money, and needed to blame it on someone, he says.

According to many observers on Wall Street, it is about what happens when an ambitious securities firm with lax controls gives too much power to a trader with a chequered past. Mr Jett was made redundant from two previous trading jobs, yet was made head of Kidder's government bond desk after only two years with the firm.

In an interview last week, Mr Jett attempted to dispel such notions.

Comparing himself with Mr Mike Vranos, the Kidder mortgage bond chief whose

continued on Page 19

'No institution on Wall Street could do a strip trade without coming through Joseph Jett – We were that big, we were that powerful'

Gencor to reveal details of Shell deal

By Kenneth Gooding, Mining Correspondent

Details of the long-awaited, $1bn deal for Gencor of South Africa to buy the Royal Dutch/Shell group's mining and metals operations are expected to surface this week.

Gencor is already heavily involved in mining and metals in South Africa – producing gold, platinum, coal, and aluminium among other things – and the Shell transaction, involving assets mainly under the Billiton banner, is designed to make it an equally important player on the international stage.

However, negotiations have been dogged with difficulties. First, Shell insisted on an early announcement in May last year after Gencor made its unsolicited approach. Since then various deadlines have passed because untangling the assets Gencor wants from other Shell operations worldwide took more time than expected, and because of the complexities of Gencor's financing problems.

Gencor originally intended to acquire the Billiton assets, which then had a book value of $1.8bn, merge them with its own operations outside South Africa as well as its R1.5bn ($410m), 50 per cent stake in Richards Bay Minerals in South Africa, and to float the new group in London. It was considering taking on a partner or partners to help finance the deal.

Billiton is far from a hidden jewel within Shell. Low metals prices and restructuring charges sent its net losses to $142m last year, from a $75m loss in 1992.

And during the course of negotiations two important assets were ruled out of the transaction:

Shell decided to go ahead with the flotation of some of its Australian mining assets, a move being considered before Gencor's approach. These assets, including Shell's 30 per cent stake in the lucrative Boddington gold mine in Western Australia, are expected to raise about A$400m (US$294m) and Gencor said it could not match that price;

Shell also put its one-third stake in the Collahausi copper project in Chile up for auction after Minorco, the cash-rich subsidiary of Anglo American Corporation of South Africa, indicated it would exercise its pre-emptive rights to the holding.

This was disappointing for Gencor as the US$1bn Collahausi scheme is one of Billiton's better assets while the Australian operations would have provided valuable cash flow to help pay for the debt Gencor has arranged to raise outside South Africa with a consortium of banks. The Reserve Bank, South Africa's central bank, has approved outline debt arrangements as well as giving permission for Gencor to take its Richards Bay Minerals stake offshore.

Spanish telecoms group joins global alliance

By Andrew Adonis in London

Telefonica, the Spanish national telecommunications operator, has joined Unisource, the joint venture of the Dutch, Swedish and Swiss telecoms operators which last month forged a European alliance with AT&T, the largest US telecoms company.

The move came as the three founding companies announced initial steps to merge their international telecoms networks, and the Spanish government agreed to open Spain's undeveloped mobile phone market to competition.

With turnover of nearly $11bn in 1992, Telefonica is far larger than its new partners.

Its strong international holdings – notably its telecoms stakes across Latin America – make it particularly attractive to AT&T and its European partners.

Telefonica is expected to take a 25 per cent equity stake in Unisource.

Unisource was established two years ago by the Dutch, Swiss and Swedish operators as a means of pooling their efforts to exploit the growing market for one-stop international telecoms services.

Telefonica was attracted to Unisource by its successes in the multinational corporate sector, and by the desire to link up to a wider alliance as Europe's larger operators line up in rival transatlantic groupings.

British Telecommunications last year signed a $5.3bn alliance with MCI, the second largest US long-distance operator, and is set to compete fiercely with Telefonica in the Spanish market through a deal with Banco Santander, one of Spain's largest banks.

The other transatlantic alliance is between France Telecom, Deutsche Telekom, and Sprint, the third-largest US long-distance operator.

Unlike its Swiss and Swedish partners, Telefonica is in the private sector. Its largest shareholder is the Spanish state with a 32 per cent holding.

Reversing Telefonica's long-standing opposition to early competition in the Spanish telecoms market, Mr Candido Velazquez-Gaztelu, its chairman, said: "We support the Unisource policy toward opening telecommunications markets within Europe."

The Spanish government has taken the first step by abolishing Telefonica's monopoly over mobile telephony. Competitors will soon be invited to bid for a second licence to operate a digital cellular network.

The Dutch, Swedish and Swiss national operators have decided to strengthen their existing Unisource alliance by progressively merging their international networks, with the aim of securing a fifth of worldwide telephone traffic by 2000.

Eurotunnel pessimistic on share inquiry

By William Lewis in London

Eurotunnel's investigation into the alleged downward manipulation of its share price ahead of the pricing of its £858m ($1.3bn) rights issue is likely to prove unsuccessful, according to the company.

Its efforts have been hampered by French secrecy laws which mean details of any market manipulation are unlikely to emerge. "I don't think we will ever find the smoking gun," said Mr Stephen Walker, Eurotunnel's company secretary.

Last month the company issued Section 212 notices to British and French financial institutions to discover if underwriters had sold shares they did not own to buy them back later more cheaply. Eurotunnel believes any large-scale shorting was done in Paris but the details that several French-based institutions have given in their 212 returns are very limited.

Banque Worms, for example, stated it did not own or have an interest in any Eurotunnel shares but held about 9.5m on behalf of approximately 2,000 clients.

"French law imposes banking secrecy obligations which prevent us from giving you further information in the absence of authority from our clients," Banque Worms said.

Exact movements of shareholdings in the run-up to the rights issue announcement on May 26 will emerge in about six weeks once NatWest Registrars has computed all Eurotunnel share trading details. However summaries of the 212 replies from UK underwriters indicate the report is unlikely to yield many clues.

SG Warburg, for example, states it had a short position in Registered Units at various times from March 1 to June 9, but over the period its holding was broadly level.

Only amongst non-underwriters is there evidence of large-scale shorting and selling in London. NatWest securities reveals it was a large seller of Eurotunnel shares over the rights issue period. In its 212 reply dated June 23 Morgan Stanley declared that it had a "short nominee interest" of 7.6m shares.

The 212 notices were issued after the Commission des Operations de Bourse, the French stock market regulator, began an investigation.

This week: Company news

INA

Test of momentum as big issue comes to market

Italian and international institutional investors will know tomorrow how many shares they have been allocated in the biggest Italian privatisation so far: the sale of 51 per cent of Ina, the state-owned insurer, which closed last week.

Small investors – more than 400,000 of whom applied for shares – should hear about their allocation by Wednesday morning, when dealings will start on the Milan and New York stock exchanges, and on London's SEAQ International.

The Italian treasury, which owns 100 per cent of Ina, expects to raise more than L4,800bn ($2.99bn) from the sale, making it by far the largest privatisation yet attempted, and the first under the new government of Mr Silvio Berlusconi.

Investors and analysts are watching carefully to gauge the success of the issue, which was prudently priced at L2,400 a share, towards the lower end of the range originally suggested by the treasury.

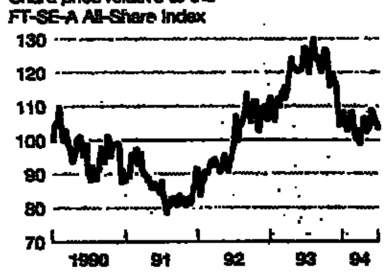
The treasury closed the public offer for shares, which had been sold through the banking network, last Tuesday, three days ahead of schedule.

In view of the recent turbulence on Italian and international markets and suggestions that the Italian public may be weary of large flotations, advisers to the government will be hoping for lively trading on Wednesday as an indication that the momentum of previous issues is being maintained. In the autumn, Mr Berlusconi expects to return to the market with offers of shares in Stet, the telecommunications holding company, and Enel, the electricity generator.

Some 1.3bn shares were intended for the retail investor, 180m for Italian institutions, 280m for international institutions, and 130m for the US, although the actual figures will not be released until Tuesday.

GEC

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

GEC

Spotlight falls again on cash mountain

Analysts are expecting a modest advance in pre-tax profits at GEC, the UK defence electronics group, for the year to March, with forecasts ranging from £875m to £900m ($1.4bn) compared with the £863m made in 1992-93. The group's perpetually rising cash mountain is expected to have grown even bigger, possibly reaching £2.5bn compared with £2.2bn.

The backlog of orders is also expected to look healthy, possibly topping £13bn, compared with £12.3bn last year. Although it came too late to affect the forthcoming figures, the company recently announced a large train construction contract in South Korea for GEC-Alsthom, its joint venture with Alcatel Alsthom of France.

The market will be watching carefully for any announcement from Lord Weinstock, the managing director, about how he intends to spend the cash mountain; and also about how long he intends to continue working after his 70th birthday on July 29.

Mr Brian Rusling, technology analyst at Yamichi, whose profit forecast is at the lower end of the range, said: "I would be a little cautious about current trading conditions. The real attraction is the yield on the final dividend." At Friday's close of 288p, the yield was about 4.5 per cent, above the FT-SE 100 average. The consensus forecast for the dividend is about 10.8p, a slight increase on last year's 10.3p.

OTHER COMPANIES

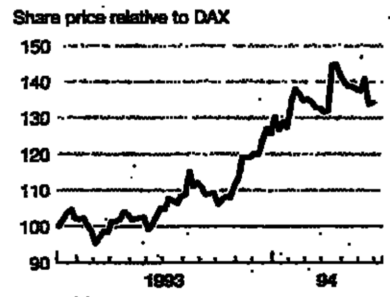
Mannesmann faces shareholder grilling

Mannesmann, one of Germany's largest industrial companies, is likely to face some testing questions from shareholders on Friday concerning Mr Werner Dieter, the chief executive who is being investigated by the state prosecutor for "activities likely to harm the company." Mr Dieter allegedly obliged Rexroth, a Mannesmann subsidiary, to buy hydraulic machinery at inflated prices from Hydac, a company largely owned by his family. The state prosecutor in Düsseldorf last week opened an investigation and Mannesmann, which reported a 1993 turnover of DM28bn ($17.1bn), has commissioned KPMG, the auditors, to conduct a separate enquiry. There are growing doubts that the 64-year-old Mr Dieter, chief executive since 1985, will now be elected chairman of the supervisory board as planned. Mr Dieter has described the charges as "laughable" and said they were leaked by the company to wreck his election to the supervisory board.

■ Ciga: On Wednesday the Italian hotels group holds its annual shareholder meeting in Milan, amid continuing uncertainty about the intentions of ITT Sheraton of the US, which holds more than 14 per cent of the company's shares. ITT tried to win control of the heavily indebted group earlier this year, edging out the previous front-runner, Forte of the UK. But that plan failed when

Mannesmann

Share price relative to DAX



Source: FT Graphite

shareholders unexpectedly subscribed to a rights issue, which was supposed to fail and deliver Ciga into ITT's hands via its creditor banks. The Italian stock market authorities must now decide whether the US company has effective control of Ciga.

■ MFI: The UK furniture group is expected today to announce a big increase in full-year, pre-tax profits from £40.2m to about £70m ($106.4m). Analysts raised their forecasts from about £60m after MFI's interim results in January, when it disclosed a much stronger performance in the January sales than in 1993. They are keen to hear from MFI whether the improvement has been sustained.

■ Securicor: Increased profits from Cellnet, the cellular telephone network operator co-owned with BT, should help Securicor push interim profits beyond last time's £29m ($44m) when it reveals its results tomorrow.

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Independent expert sought to rule on Acuma buy from Amex

Utd Friendly action over purchase

By William Lewis

United Friendly, the life and general insurance company, has started legal action over its purchase of Acuma, the pension, financial consulting and life insurance company, from American Express.

In a summons issued in the High Court last week, United seeks the appointment of an independent expert to rule on how much it should pay Amex for Acuma.

United announced last October that it was buying Acuma Financial Products and Acuma. It made a payment on account of £11.4m in November but in February wrote to Amex saying that it disagreed with the preparation of Acuma's accounts.

United now wants Mr David Cade, a partner in Arthur Andersen, the accountancy firm, nominated for the role by the Institute of Chartered Accountants in England and Wales, to help adjudicate on the final amount it should pay.

The two sides have already agreed on the appointment of Mr Duncan Ferguson, an actuary at Bacon & Woodrow, to help resolve other differences.

United says that the terms of its deal with Amex allowed for its seeking to alter the final purchase price after it had been sent Acuma's completion accounts and net asset value statement. United's summons states that they were received on January 24.

"The final purchase price for the deal is based on quite a lengthy legal contract and we have been discussing with Amex, effectively over the last six months, the interpretation of those terms," said Mr John Instance, chief executive of Acuma and a main board director of United.

"We feel that discussions are dragging on and our legal advisers just suggested that the use of a writ was a mechanism to expedite a final agreement," he said.

The summons states that on February 11 United wrote to Acuma Financial Services, an Amex subsidiary and a second defendant, listing its objections to Acuma's accounts.

Amex then wrote back but with the two sides unable to reach agreement, United says it is entitled under the original contract to seek the appointment of a chartered accountant to rule on the accounting issues.

In particular it wants Mr Cade to adjudicate on two areas of Acuma's balance sheet as of October 31, both relating to the calculation of net asset value. They are total assets less current liabilities, valued by Amex at £111.6m, and the long term business fund, stated as £107m.

United's main business has been selling life assurance and general insurance to middle and lower income households. However by buying Acuma United gained access to up to 20,000 better-off households.

In its annual report for the financial year to December 31 1993 Mr John Rampe, United's chairman, described Acuma as "the most important strategic development during the year".

Mr Instance said yesterday said the dispute with Amex was not because of new bad debt provision for possible mis-selling of pension plans by Acuma sales staff.

"Acuma was doing things consistent with the rest of the industry. There have been no discoveries of anything we were not aware of before," he said.

Amex said on Friday: "We are in the process of the reviewing the summons and we have no comment at this time."

Pre-tax profits of United dropped by £3m to £20.4m last year mainly due to a decline in motor insurance profits.

Robert Fleming chiefs paid more than £1.5m

By Norma Cohen, Investments Correspondent

Two executives of Robert Fleming Holdings, the investment bank, were paid more than £1.5m in the year to March 31 1994, while a third senior executive earned a little more than £1m, according to the company's annual report.

A further five senior executives received total remuneration of between £525,000 and £795,000.

In addition loans to directors nearly doubled in the year, with £4.1m to 22 directors outstanding at year-end, up from £2.5m in April 1993.

Fleming saw pre-tax profits rise by 97 per cent to £209.9m in that period.

In 1992-93 the highest paid executive was paid a total remuneration of £955,000, with the next highest receiving £815,000.

Overall, the total remuneration paid to Fleming's 26 executive directors in 1993-94 rose by 50 per cent to £12.4m, against £7.8m in the comparable period. Of that, £8.2m represented performance related pay. In the previous year, senior executives received a far more modest £4.1m in preformance related pay.

The annual report only details performance related bonuses to executive directors, although other Fleming officials also apparently received significant performance-related packages.

Mr John Manser, group chief executive, said last week that almost all of the increase of about £60m in administrative costs represents profit-related pay.

The annual report also shows that Mr Manser exercised 30,000 of his stock options during the year, while being granted an additional 10,000. Mr William Harrison, chief executive of the investment banking division was granted the most stock options during the year, a total of 50,000.

Rothschild to put Sizewell case

By David Blackwell

Nuclear Electric, the state-owned electricity generation company, is to hire NM Rothschild to help it make a case for building a second pressurised water reactor at Sizewell.

Yesterday the group described the merchant bank as "market leader in all areas of utility financing". It added that the funding of another reactor would be kept seperate from the issue of privatisation, for which it has already hired Morgan Stanley.

Nuclear Electric, which will tomorrow report operating profits of about £760m for the year, said that privatisation remained its priority. But in the light of the government's nuclear review it needed to look at the future needs of the UK.

One PWR at Sizewell in Suffolk would replace all six of the old Magnox reactors that will be taken off line in the next 10 to 12 years.

Last week the group outlined an option for financing a new Sizewell power station which would require an initial government subsidy of up to £1bn. This would help it to offer a rate of return, between 11 and 12 per cent, that would attract private sector investors to fund the rest of the £3.5bn cost.

Glaxo reshuffles managers following Girolami move

By Paul Abrahams

Glaxo, the pharmaceuticals company, has announced yet another management reshuffle.

The moves follow the decision by Sir Paul Girolami, chairman, to hand over executive responsibilities to Sir Richard Sykes, deputy chairman and chief executive, last month and cease being a non-executive director in September.

Sir Richard, who was research and development director until last year, is passing responsibility for R&D to Dr Franz Humer, chief operating officer. Dr Humer will also have responsibility for the technical directorate, mostly manufacturing and quality assurance, and Latin America.

Mr Neil Maidment, who controls the Asian-Pacific, African and Middle East markets will take over some European markets from Dr Humer. Mr Robert Ingram will have responsibility for north America and Mr Hiroshi Konishi for Japan. All will report directly to Sir Richard.

Sir Mark Richmond remains director of research, and Dr Goran Ando, stays as director of group development and product strategy, but both report to Dr Humer.

Prudential sells Irish life assurance arm for £30m

By Alison Smith

Prudential, the UK's largest life insurer, has sold its Irish life assurance and pensions company to Irish Permanent Building Society for £30m cash.

Prudential Life of Ireland was already involved in a joint venture with Irish Permanent through Irish Permanent Life and Pensions, which sells pensions, investment and life products through the society's branch network.

The purchase was driven by the same factors that have led some larger UK building societies to set up their own life operations. Details of the deal will be given in the prospectus to be issued by Irish Permanent as it prepares to convert from a mutual organisation to plc status in the autumn.

Prudential Life of Ireland is among the country's 10 largest life insurers with 6.7 per cent of the individual regular premium market.

CROSS BORDER M&A DEALS				
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Charter (UK)	Esab (Sweden)	Electrical equipment	£390m	Charter continues restructuring
St Jude Medical (US)	Unit of Siemens (Germany)	Medical equipment	£325m	Strategic sale
Hafslund Nycomed (Norway)	Units of Sterling Winthrop (US)	Diagnostics	£292m	Sanofi selling peripherals
National Westminster Bank (UK)	Central Jersey Bancorp (US)	Banking	£195m	Expanding US retail side
Parker & Parsley (US)	Bridge Oil (Australia)	Oil & Gas	£180m	Bid increased again
Blockbuster Entertainment (US)	Virgin Interactive (UK)	Computer services	£81m	Increasing stake
Helikopter Service (Norway)	Bond Helicopters (UK)	Aviation	£75m	Creating world's biggest
Gardner Merchant (UK)	Units of Morrison Restaurants (US)	Catering	£66m	Doubling US business
Insas (Malaysia)	Power Corp (Ireland)	Property	£49m	Conditionally agreed
General Re (US)	Cologne Re (Germany)	Reinsurance	n/a	GR taking indirect control

NEWS DIGEST

AH Ball drops into losses of £405,000

AH Ball, the civil engineer, announced a drop into losses of £405,000, compared with a profit of £406,000, for the year ended March 31 1994.

The main problem of the year was a substantial loss on three contracts which brought the gross profit margin down from 28.6 per cent to 14 per cent. This was reflected in a fall in gross profits from £1.76m to £1.19m on turnover up from £6.1m to £8.63m.

There is no final dividend, as forewarned, so the interim of 1p compares with a total of 3.2p. Losses per share came out at 3.87p (4.42p).

Kleeneze jumps 40% to £0.85m

Strong growth in its core home shopping businesses enabled Kleeneze to report a 40 per cent rise in pre-tax profits from £606,000 to £849,000 for the six months to February 28, despite restructuring costs of £404,000.

The costs related to the retail business which also incurred operating losses of £324,000. Group operating profits were £1.32m (£621,000).

Turnover was £40.3m, against £29.2m, which included £2.87m from discontinued activities. Earnings per share came out at 4.71p (3.17p). No interim dividend is declared but the company intends increasing its final dividend from last year's 1p.

Storm placing to raise £2.3m

Storm Group, which is involved with intellectual property rights relating to toys and cartoon characters for the children's entertainment market, is raising a net £2.3m via a placing and open offer. It also announced the disposal of its magazine publishing interests.

Storm is issuing 16.97m shares, representing a 21.4 per cent increase in the issued share capital, at 15p per share with a 3-for-14 clawback.

USM-traded Storm returned to profitability last year after two years of losses with a 1993 pre-tax profit of £122,000 (restated £2.1m loss).

Daily Mail rejects offer for Chiltern

Daily Mail and General Trust has rejected the offer by CLT, one of Europe's largest private broadcasters, for its shares in Chiltern Radio, which broadcasts in the north and the Home Counties.

DMGT, which recently acquired an 18.5 per cent stake in Chiltern, claimed that the offer significantly undervalued Chiltern's prospects. Luxembourg-based CLT has offered 242p per share valuing the company at £16.9m.

DMGT also announced that it was buying up to 9.99 per cent of Chiltern's shares in the market at 300p each. DMGT and European Media Associates, a company formed by DMGT with European Media Partners, are seeking to buy up to 648,587 Chiltern shares.

Chiltern said it planned to have talks with both DMGT and CLT.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 02.07.94: Pool purchase price £/MWh	Final Prices for Trading on 05.06.94: Pool purchase price £/MWh	Final Prices for Trading on 05.06.94: Pool selling price £/MWh
0030	16.54	11.00	11.00
0100	14.81	9.62	9.62
0130	12.12	9.61	9.61
0200	12.12	9.61	9.61
0230	10.60	9.61	9.61
0300	9.62	9.61	9.61
0330	9.62	9.61	9.61
0400	9.62	9.61	9.61
0430	9.62	9.61	9.61
0500	9.62	9.60	9.60
0530	9.60	9.58	9.58
0600	9.60	9.58	9.58
0630	9.62	9.62	9.62
0700	10.30	9.62	9.62
0730	11.97	10.70	10.70
0800	11.97	10.75	10.75
0830	15.44	11.68	14.87
0900	17.50	11.68	14.87
0930	18.66	15.20	18.38
1000	21.84	23.71	26.90
1030	25.25	22.07	25.26
1100	27.32	28.81	32.00
1130	27.32	28.81	32.00
1200	30.48	35.71	38.89
1230	30.48	35.71	38.89
1300	30.48	35.71	38.89
1330	27.32	28.81	32.00
1400	25.25	23.71	26.90
1430	18.66	18.87	22.05
1500	18.66	16.98	20.17
1530	18.66	11.65	11.65
1600	17.50	11.65	11.65
1630	17.50	11.65	11.65
1700	17.50	11.65	11.65
1730	17.50	16.98	20.17
1800	17.50	16.98	20.17
1830	17.50	16.98	20.17
1900	17.02	16.98	20.17
1930	17.02	32.83	36.02
2000	17.02	32.83	36.02
2030	17.02	16.98	20.17
2100	17.02	16.98	20.17
2130	17.50	30.43	33.61
2200	25.84	39.65	42.84
2230	27.50	39.65	42.84
2300	27.50	39.65	42.84
2330	21.24	15.20	18.38
2400	15.44	11.68	14.87

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 04.07.94: Pool purchase price £/MWh	Final Prices for Trading on 06.06.94: Pool purchase price £/MWh	Final Prices for Trading on 06.06.94: Pool selling price £/MWh
0030	10.70	10.70	10.70
0100	9.62	9.63	9.63
0130	9.61	9.64	9.64
0200	9.61	9.64	9.64
0230	9.61	9.63	9.63
0300	9.61	9.63	9.63
0330	9.61	9.63	9.63
0400	9.61	9.63	9.63
0430	9.61	9.63	9.63
0500	9.61	9.64	9.64
0530	9.61	10.65	10.65
0600	9.62	10.75	10.75
0630	10.70	9.63	9.63
0700	12.30	21.81	24.97
0730	22.54	23.73	27.08
0800	28.94	24.82	28.04
0830	25.41	27.36	30.97
0900	29.43	27.63	31.54
0930	25.70	35.01	38.16
1000	30.10	35.81	40.10
1030	33.18	36.57	41.06
1100	33.46	36.44	41.22
1130	42.84	40.43	45.77
1200	43.12	56.42	61.86
1230	48.27	55.03	60.15
1300	48.90	36.29	40.74
1330	32.93	28.87	32.58
1400	32.79	26.66	30.36
1430	32.72	25.96	29.54
1500	29.45	25.05	28.57
1530	29.43	24.98	28.48
1600	29.53	25.16	28.71
1630	46.42	25.53	29.18
1700	46.52	30.70	34.36
1730	46.30	30.39	33.99
1800	46.19	27.99	31.47
1830	28.96	24.50	27.86
1900	24.44	27.60	30.96
1930	24.44	24.44	27.79
2000	23.37	23.76	27.11
2030	23.37	31.68	35.08
2100	29.60	31.68	35.08
2130	29.60	31.68	35.08
2200	29.60	31.68	35.08
2230	29.60	31.68	35.08
2300	23.37	21.61	24.97
2330	18.00	21.61	24.97
2400	23.29	20.66	23.91

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the [illegible]

BankAmerica pays $50m to cover losses at fund

By Richard Waters in New York

BankAmerica has paid $50.5m to cover losses at one of its money market mutual funds, taking to $67.9m the cost of compensating investors for losses on volatile derivative-type securities.

On Friday, the Securities and Exchange Commission released a letter in which it indicated that several other money managers have shouldered losses on securities which the regulators viewed as unsuitable for money market funds.

Money market funds seek to beat normal bank deposit rates by investing in short-term debt instruments.

There is an implicit understanding that investors' principal will not be put at risk – a factor which has encouraged some banks and others to bail out their funds in recent weeks.

BankAmerica said its funds had held structured notes issued by US government agencies. The return on such instruments is tied to an external factor – for instance, the return on a stockmarket index, or the difference between short and long-term interest rates.

Depending on their structure, such instruments can result in a leveraged exposure to movements in financial markets.

BankAmerica did not provide details of the particular securities which led to losses in the two funds, the Pacific Horizon Prime Fund and Government Fund.

However, it said that these instruments, while permitted under the rules of the funds, had been unsuitable for the funds.

The bank said all of the funds' structured notes had now been sold. The sale was prompted by quickly rising US interest rates, "a significant level of redemptions" by investors and indications from regulators that structured notes may be inappropriate for money market funds, it added.

In a letter at the end of last week to the Investment Company Institute, the mutual funds trade association, Mr Barry Barbash, director of the SEC's investment management division, outlined types of structured securities that could be unsuitable for all such funds.

These include inverse floaters (interest on which falls as market rates rise), leveraged floaters (which give a geared exposure to rate changes), range floaters (which cease to pay interest when a certain level is reached), and dual-index floaters (the return on which is tied to the relationship between two indices).

Recent interest rate rises have "caused the value of many of these securities to fall below par," Mr Barbash said.

The SEC urged all managers of money market funds to develop a plan to "dispose of the securities in an orderly manner, consistent with the interests of the fund's shareholders".

Concern grows over Swedish bond sale

By Graham Bowley

Concern is growing over today's auction by the Swedish government of SKr6bn of new government bonds. This follows turmoil in the country's financial markets on Friday sparked by worries over the continuing rise in state debt.

The turmoil began after remarks made by Mr Björn Wolrath, chief executive of Skandia, one of Sweden's two leading insurance groups and one of the country's largest institutional investors, that the company had stopped buying government bonds in protest at the state of the country's finances.

Mr Wolrath said: "We are not going to buy a single government bond as long as the Swedish politicians do not have a trustworthy policy for reducing the budget deficit."

Bond yields rose sharply on Friday to almost 10 per cent, the Stockholm stock exchange fell 2 per cent and the Swedish krona fell against leading currencies.

Mr Malcolm Roberts, head of global bond research at UBS in London, said: "Sweden has the highest real yields in the world, along with Canada. Such high real interest rates imply an ever-increasing burden of financing and it is this combination of high real rates and a rapidly rising debt to income ratio which has the potential for a buyers' strike, which seems to be taking place."

Other insurance groups have said they would continue to trade in government bonds and senior officials at the Finance Ministry said they did not expect any short-term problems.

It is feared, however, that the government will have difficulty in meeting its financing needs as a result of Skandia's move.

Sweden has the fastest growing debt among Organisation for Economic Co-operation and Development member countries, standing at about 80 per cent of gross national product at the end of last year, and a budget deficit of 13 per cent of GNP.

Mexico in telephone liberalisation

By Damian Fraser in Mexico City

Mexico's government has proposed a sweeping liberalisation of its long-distance telephone market from January 1997, promising to remove the most important barriers to competition.

The ministry of communications and transport has agreed not to limit the number of carriers that can offer long-distance services from 1997, after the exclusive concession enjoyed by Teléfonos de Mexico, the monopoly provider, expires. Any carrier that complies with government-established requirements will be granted a licence.

Long-distance carriers will be allowed to establish their own local networks that will enable them to bypass Telmex altogether when offering long-distance telephone service. Telmex had strongly opposed this.

"The Mexican government has come down on the side of competition," said Bette Massick, an analyst with SG Warburg "Telmex did not get what it wanted."

Telmex earned $4.23bn from long distance and international calls last year, over half its revenues. It is by far Mexico's largest quoted company, with investors acutely concerned about the impact of competition on revenues, says Ricardo Peon of Baring Securities.

In recent months MCI/Banamex, Iusacell/Bell Atlantic, Motorola/Protexa, Grupo Domos, and Alfa among others have announced plans to offer long-distance services in Mexico.

The requirements for carriers to obtain long-distance licences have yet to be established, and officials predicted tough negotiations. Over the next few months it will be decided whether carriers will pay a fee for the licence, whether they will have any non-commercial obligations, and what if any regulations will govern tariffs.

The prerequisites for domestic long-distance and international long-distance concessions are likely to be different, with Telmex fighting for tougher conditions for concessions to international services.

"The core issues are decided," says Mr Santiago Levy, head of the government competition commission "We have a good start to constructing a competitive telecommunications market in Mexico."

Under the proposed interconnection plan:

- Telmex will initially have to permit interconnection between long-distance and its local service in 60 of the country's largest cities, and in 200 by 1999. Telmex will set interconnection fees according to the cost of providing the service, not discriminate against competitive carriers and separate the accounting of its long-distance arm from its local service unit.
- Users will be able to pre-subscribe to any long-distance telephone service, rather than choosing one by dialing a specified code, as Telmex had proposed. Allowing pre-subscription will enable Telmex's competitors to build up a solid client base, and establish a reputation for service, according to Mr Levy.

Biogen says drug will reduce disability in MS sufferers

By Paul Abrahams

Biogen, the US biotechnology company, expects to announce clinical trial results within the next four to five weeks which should demonstrate one of its drugs can reduce disability in multiple sclerosis patients.

It would be the first time a drug has been shown capable of reducing disability caused by MS, a degenerative disease, which affects about 300,000 people in the US and as many as 400,000 in Europe.

The two-year clinical trial involving 300 patients is designed to show the safety and effectiveness of Biogen's beta-interferon treatment. Mr Jim Vincent, chairman, said the trial was designed to show the medicine measurably reduces disability in MS patients.

At present, the only licensed product for multiple sclerosis is Betaseron, Schering's treatment. This can slow nerve degeneration and cut the frequency of attacks, but has not been demonstrated to reduce disability.

The drug, which was launched last year, has had to be rationed because of huge demand. The product is expected to generate sales of DM560m ($351m) next year, according to US brokers Morgan Stanley.

If Biogen's beta-interferon receives a licence, the company plans to market the drug on its own in the US and Europe, where the group believes it can cover the market with no more than 200 sales representatives.

In Japan, Biogen plans to license the drug to another company. Mr Vincent said the group was talking to several companies, both Japanese and multinationals in Japan, and a decision would be taken soon.

Mr Vincent said he did not expect Biogen would need to return to the capital markets during the launch of beta-interferon and Hirulog, a product that blocks clotting of the blood. However, he warned the group's profitability could be affected by the cost of finishing the trials and launching the two drugs simultaneously in Europe and the US.

Ital-Thai Development prices issue

By William Barnes in Bangkok

Italian-Thai Development, which dominates the Thai construction sector, has set its initial public offer price for 25m shares or 10 per cent of the company at Bt175, valuing the company at $1.72bn.

Analysts say the price, at the top of the indicated range of Bt150–Bt175, leaves little room for immediate trading gains after listing. Nevertheless Italian-Thai, south-east Asia's biggest construction company based in a country requiring decades of infrastructure development, will prove attractive to foreign and local investors. Subscription is on July 6–8.

Last year Ital-Thai made a net profit of Bt1bn ($40m) on turnover of Bt11.61bn.

Joseph Jett joins battle with Kidder Peabody

continued from Page 17

bonus last year topped even Mr Jett's own $9m, he said: "If you look at Vranos' progress and you look at mine, there is no difference – except that I'm older and better educated."

In Mr Jett's version of events, he also created Wall Street's biggest trading operation in stripped bonds, the specialised part of the fixed income markets in which he operated.

"No matter what Kidder now says about me, besmirching my name, I took that operation from having 3 per cent market share to I believe close to 40 per cent market share. No institution on Wall Street could do a strip trade without coming through Joseph Jett – no one could. We were that big, we were that powerful."

In such comments, there are echoes of another Joseph Jett – the aggressive, take-no-prisoners trader depicted in a number of reports.

But Mr Jett now plays down such characteristics. That depiction – and the racial overtones of the attack – he likens to the case of OJ Simpson, the US football hero charged with murdering his wife. Referring to an infamous magazine cover which has sparked accusations of racism aimed at Simpson, Mr Jett says: "It's like Time magazine darkening OJ Simpson's face. If you allow it to be said and done, perception become reality. You keep repeating it and repeating it, and all of a sudden it's true."

China exceeds Yn100bn target for debt finance

By Tony Walker in Beijing

China has exceeded its target of Yn100bn ($11.5bn) for the sale of Treasury bonds to finance its budget deficit for 1994-95, the People's Bank announced.

The bulk of the bonds sold carried two and three-year maturities, but other categories accounted for about 10 per cent of the offering – China's largest since the Revolution.

Mr Zhang Jialun, a senior Ministry of Finance official responsible for the bond issue, described as a "very good trend" the strong demand for bonds this year: by June 30 Yn102.5bn had been issued.

The two-year bonds carried a coupon rate of 13 per cent while the three-year paper yielded 13.96 per cent.

China's budget deficit is forecast to reach Yn67bn in 1994-95, while total liabilities, including domestic and foreign debt service, are expected to amount to Yn129.6bn.

Minneapolis bank buys rival in $750m deal

By Richard Waters

First Bank System, a fast-growing Minneapolis-based bank, capped a string of recent acquisitions with an agreed takeover of local rival Metropolitan Financial in a deal valued at $750m.

The acquisition in part signals the growing pace of US bank mergers ahead of interstate banking legislation expected this year.

"We think the pace of consolidation will accelerate – that has had an effect on our acquisition strategy," First Bank said.

Metropolitan strengthens First Bank's position in the central corridor of the country, adding to its network in states like Minnesota, North and South Dakota and Wisconsin while extending its reach into additional states such as Nebraska, Kansas and Wyoming.

The all-share deal values Metropolitan at between 1.6 and 1.7 times book value, depending on the final terms.

Based on its assessment that the merger will result in cost savings of 35 per cent at Metropolitan, First Bank said the deal would add marginally to its earnings per share in 1995 and 1996.

First Bank has made four acquisitions in the past 18 months to bring it additional assets of $9bn, taking its total to $25.6bn. Metropolitan will bring a further $8bn of assets.

Like other regional bank mergers, the transaction is intended to bring down overall costs by reducing combined overheads and applying common technology, while extending a broader range of products to the combined customer base.

Metropolitan, a savings bank, has traditionally relied on domestic mortgages, although it has expanded recently into consumer lending, which now accounts for $1.6bn of its $5.5bn of loans.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Gerard Baker in Tokyo

All eyes on the yen

Tokyo had everything last week: the country that once set global standards for political stability saw the resignation of its third prime minister in a year; his successor turned out to be the first socialist in the office for nearly fifty years; and the government he formed on Thursday is perhaps the oddest coalition of unlike minds ever to sit in cabinet together. And despite all that the yen finally reached parity with the US cent.

The markets paid little heed to the country's increasingly surreal political developments, but the yen was another matter. Attention was focused on the Bank of Japan, which spent more than $10bn in an attempt to prop up the dollar.

The BoJ does not wish to ride to the US currency's rescue with an interest rate cut. This week the Japanese bond market is nervously awaiting the outcome of the struggle between the bank and the currency markets.

Behind the bank's reluctance to raise rates is a belief that the yen's strength is a temporary phenomenon. It has repeatedly argued that the economy is recovering from the recession. Favourable figures for first quarter GDP growth seemed to support that view. If the recovery continues, the Japanese trade surplus, the key to the dollar's difficulties, will decline as imports recover. Inflation, though not an immediate risk, is *still around the* corner, says the bank.

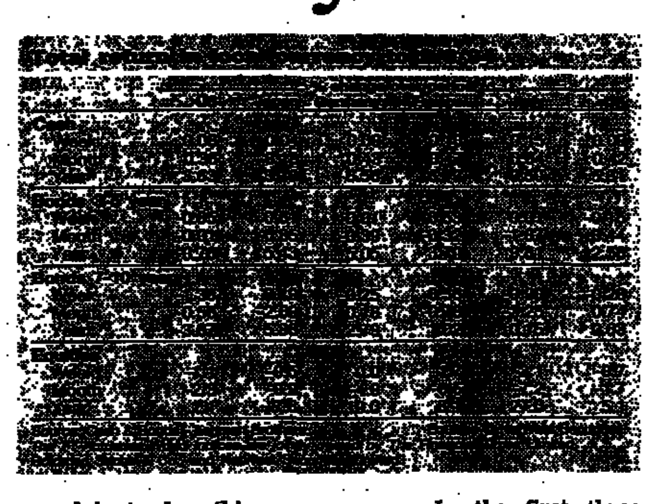
The bond market has shared the BoJ's analysis. Bond prices have slumped since the start of the year. Even last week, as the dollar fell, bond prices eased again slightly, and the yield on the 10-year bellwether bond reached a one-year-high at 4.6 per cent. But there are two reasons to be sceptical about the bank's prognosis, and to be bullish on bonds.

Unlike other currency crises this one is less about speculative flows in the yen's favour and more about real economic flows. The Japanese economy is running huge surpluses on both its current account and its capital account. Though the current account surplus shrank slightly in the first quarter – down from $32bn to $30bn – *it was more than offset* by the capital account, which recorded a surplus of $47bn in the first quarter, against a deficit of $6bn in the first quarter of 1993.

Investors have been pouring money into Japanese assets as other countries' stock markets have plunged. Though this cannot be sustained in the long term, it explains why demand for yen is so strong.

The recovery is far from guaranteed, especially with the yen obstinately high. Consumer spending is recovering anaemically. The current account surplus represents the excess of domestic savings over domestic investment, and while savings are falling slightly, investment is still in deep decline.

Moreover, despite the central banker's typical caution, inflation is non-existent in Japan. International pressure will intensify for a monetary easing. Though the dollar's difficulties are global, it is the US-Japan bilateral trade relationship that is the greatest source of its weakness. A further cut in Japanese rates would assist the economy and reduce the imbalance.



Equities

While the rest of the world's bond and equity markets have moved in tandem this year, Japan's have become uncoupled. The country is at the stage of the business cycle where the two can, for a while, move in opposite directions, as investors believe the as-yet-unrealised profits recovery will offset the impact of higher interest rates.

So far this year, the Nikkei has been driven upwards almost exclusively by foreign money. In the first three months of the year, foreign net purchases of Japanese equities were greater than in the entire previous two years. Domestic investors remain uninterested. But in the past two months, the flow from abroad has dried up, and foreigners became net sellers in May, tempted by profit-taking.

And no wonder. The wise investor who exchanged US dollars for Japanese equities on December 31 last year would have gained more than 30 per cent in the six months since, as equities have risen by 20 per cent and the yen has climbed by 10 per cent. The even wiser investor who liquidated UK equities in order to buy the Japanese stocks would have made a total opportunity gain of more than 40 per cent.

With that sort of profit in six months, the foreign-led charge looks like fading. Optimists are pinning their hopes on domestic investors to take up the slack. But if they continue to stay away it is hard to see where the market's gains are coming from. Too many of the institutions had their fingers burnt last summer, when, having missed out on a similar Nikkei rally in the first half of the year, they plunged in late only to find the market drop through the floor for the rest of the year.

Individual investors, the motor behind much of the market's ascent in the so-called "bubble years", are still too shell-shocked by the subsequent collapse to venture away from safety of their deposit accounts. Even if there were a further cut in interest rates, it is unlikely that savings rates can fall much lower, and it is unlikely that individuals would be be tempted back into equities.

Banks

Japan's banks have made strenuous efforts recently to convince investors that the worst of their difficulties are over. This year they are claiming that an aggressive policy of writing off bad debts in the past two years has paid off. More than half the main "city" banks claimed that their total problem loans had peaked in the year to end-March.

One of the few problems they face which is not of their own making is the regulatory approach of the Ministry of Finance. Concerned about the effect of tax-deductible provisions on fiscal revenues, the MoF has in the past taken a miserly view of provisioning, requiring banks to justify in detail every loan they plan to write off or provision.

But the MoF has now confirmed that in the past few months it has taken a more liberal approach to bad debt provisions, and banks' write-offs are expected to increase sharply this year.

Banks' declared problem loans are, however, only a proportion of the total, since they do not include loans to companies in trouble which have not actually defaulted. Nonetheless, the MoF's new-found leniency will improve the longer-term earnings outlook for the stronger banks.

COMMODITIES

Richard Mooney

Managing a bull market

Representatives of coffee producing countries will gather in Brasilia, the Brazilian capital, on Thursday to undertake the relatively pleasant task of deciding how to manage a bull market.

Delegates from the host country, Colombia, central America and Africa will be joined at the three-day meeting by US officials in talks prompted by the record-breaking surge in coffee prices that followed news a week ago that beans for the 1995-96 crop in Brazil, the world's biggest producer by far, had been damaged by frost.

Producer stocks available to dampen down the ensuing market surge – London futures prices rose by more than 40 per cent – are mostly held in Brazil, estimated at 17m bags (60kg each) and Colombia, 5m bags.

The chief task of the meeting will be to decide how much of this *should* be released to the market and on what time scale.

Related questions are expected to concern the degree to which future consumption may be damaged by the rise of prices to 7½-year highs and how to head off an excessive build-up in production that could quickly send the market from boom to "bust".

Before that meeting the world's coffee traders will be looking out for an official assessment of the extent of the damage to Brazilian bushes. Analysts' "guesstimates" last week ranged between 5m and 9m bags out of a crop previously projected at about 24m bags. The higher figure would represent about 10 per cent of world coffee production.

With Brazil's coffee frost "season" having five weeks to run, weather forecasts for Brazilian growing areas will also be of more than usual interest. The most damaging frost ever to hit the Brazilian coffee industry was in 1975, on July 19. That reduced the following year's crop by nearly three quarters, but since then the bulk of the country's coffee planting has moved further north, and is therefore less likely to be affected.

Economic Eye / Martin Wolf

Protectionist standards

The ink was not even dry on the agreement closing the Uruguay Round of multilateral trade negotiations before the Clinton administration came forward with a new agenda, one that is entirely its own. At the top of the list, alongside trade and the environment, come labour standards. Mrs Rafidah Aziz, Malaysia's redoubtable trade minister, promptly responded that the linkage of trade with labour *standards* "would, in effect, provide a convenient cover for trade protectionism".

Mr Robert Reich, US secretary of labour, has justified US demands in an article in the Washington Post, in which he argues that "some labour practices simply place countries outside the community of civilised nations. A consensus list of 'core' labour standards will *certainly proscribe* goods produced by prison or slave labour and by very young children". To this is added the right to form trades unions and bargain collectively. Action against countries that violate such standards is, he insists, justified on humanitarian grounds.

Is it? Slavery is a red herring in this debate. Prison *labour sounds equally dread*ful, but what of the argument that prisoners need to learn useful skills and help support their families? What better way can there be than for them to produce goods for export? Provided wages and conditions are in line with those in the market, this seems better than for inmates to rot in useless idleness.

Should the small children of a destitute Bangladeshi widow be forced to beg or starve, rather than work? Parents want what is best for their children. But if the children of the poor are to be educated, resources must be found to support them and their parents. So one test of US sincerity is the scale of its aid effort. At one fifth of 1 per cent of gross national product, it is, in fact, the worst among all industrial countries, except for little Ireland.

This leaves by far the most significant "right", that to bargain collectively. Stripped of its progressive gloss, however, collective bargaining is merely cartelisation of the *labour market. Why is this* a fundamental right, to be placed alongside free speech, the vote, or *habeas corpus*?

Mr Reich accuses critics of the sin of "laissez-faire dogmatism". On the contrary, they base themselves on experience. The chart shows the astounding rise of real wages in the export-oriented economies of east Asia. Does this perhaps reflect the ability of trades unions to push up wages, thereby producing what Mr Reich desires, "the emergence of middle-class economies"? The answer is no.

As the World Bank says in the study from which the chart is drawn, "Korea, Singapore, and Taiwan, China, suppressed independent unions. Malaysia has independent unions but highly restrictive labour laws. Hong Kong and Japan do not intervene in labour relations. However, in Japan most unions are company based". Mr Reich talks of the expectation that labour standards should improve as economies develop. So they did, not because of unions, but *because of rapid growth, full* employment and specialisation on the basis of comparative advantage.

In the early stage of development, when massive migration of workers from the countryside to modern industry is required, strong trade unions virtually ensure, instead, the emergence of narrow labour aristocracies. Which country did better in raising labour standards in the 1970s, Korea, which repressed trade unions, but had export-oriented industrial growth at 15 per cent a year, or India, where a highly unionised, but stunted, advanced industrial sector grew at only 4.5 per cent.

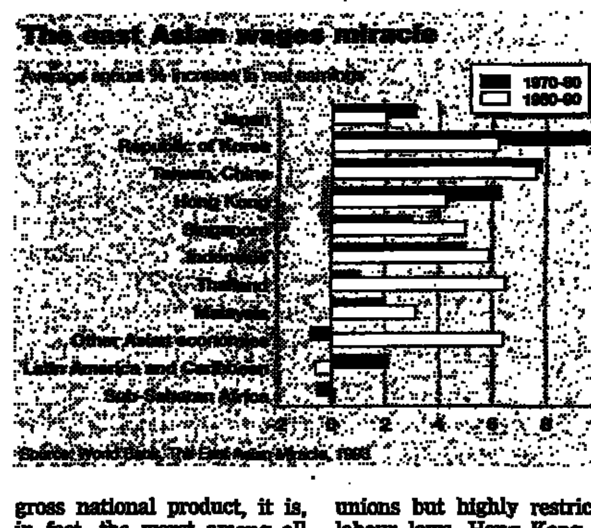
Mr Reich does more than call for basic rights. He suggests, as a further test of a country's probity, that "low-wage workers should become better off, not worse off, as trade and investment boost national income". This is a peculiarly ill-judged suggestion, since the US is one of the *few countries to fail this* test over the past two decades. Indeed, by continental European standards it falls short on many criteria of how an advanced economy should treat workers. This demonstrates how intellectually fragile labour standards are, not that the US should sink in the European quagmire.

If the supposed rights are *debatable, action against* alleged abuses will be more questionable still. Most of these abuses will, after all, occur in areas that have little to do with trade. Action might be taken against Sri Lanka, but we know it will not be taken against China. Furthermore, before action there must be international agreement on the content of labour *standards. Otherwise, it would* just be bullying.

Is there anyone so naive as to suppose this issue has come to the fore because of concern for the poor? It is, instead, a response to the adjustments imposed by the rapid growth of developing country exports, itself among the most effective ways to reduce destitution. If people doubt that this is the *origin of the demand for impo*sition of minimum labour standards, they need only know that it is being pushed jointly by the US, where real wages have stagnated for two decades, and France, most outspokenly protectionist of major industrial countries.

It is a demand that lacks justification, will not be honestly enforced and would not significantly *improve* the lot of developing country workers if it were to be. Under the pretence of helping the poor, the industrial countries propose either to undermine their competitiveness or impose protection against their exports. From the point of view of developing countries, this appears, inevitably and rightly, to be pure hypocrisy.

The east Asian wages miracle



FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JULY 1 1994 US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY JUNE 30 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	163.36	-2.1	157.47	101.92	135.43	148.10	-8.8	3.70	165.72	159.19	103.34	137.12	150.99	189.15	138.45	133.45
Austria (17)	185.75	0.4	179.06	115.90	153.99	154.15	-7.4	1.04	186.82	179.45	116.49	154.57	154.35	195.41	142.80	147.24
Belgium (37)	164.52	1.1	158.59	102.65	136.39	133.28	-8.1	4.15	165.67	159.14	103.30	137.07	133.80	176.87	143.82	148.48
Canada (106)	122.60	-8.7	118.19	76.50	101.64	122.67	-5.8	2.76	122.61	117.78	76.45	101.45	122.67	145.31	120.54	127.25
Denmark (33)	259.18	4.8	249.85	161.71	214.87	220.75	-3.4	1.34	260.31	250.04	162.31	215.38	221.27	275.79	207.58	218.14
Finland (24)	141.88	16.2	136.77	88.52	117.62	158.46	5.8	0.90	144.19	138.51	89.91	119.31	160.48	158.72	92.58	92.58
France (97)	159.79	-9.2	154.03	99.69	132.46	136.98	-16.0	3.28	161.40	155.04	100.64	133.54	138.21	185.37	149.80	153.02
Germany (58)	136.34	-2.8	131.43	85.06	113.02	113.02	-10.7	1.83	136.17	130.80	84.91	112.67	112.67	147.07	109.28	109.91
Hong Kong (56)	351.17	-28.2	338.52	219.10	291.13	348.47	-28.2	3.40	356.47	342.42	222.28	294.96	353.75	506.56	271.42	280.66
Ireland (14)	181.99	-1.7	175.44	113.55	150.88	168.63	-8.9	3.82	182.78	175.57	113.97	151.24	169.34	209.33	165.93	162.80
Italy (60)	81.40	18.7	78.47	50.79	67.48	96.39	9.9	1.64	82.28	79.04	51.31	68.08	97.28	97.78	57.88	67.85
Japan (469)	168.04	29.1	161.99	104.84	139.31	104.84	14.2	0.73	169.49	162.81	105.68	140.24	105.68	169.49	124.54	147.61
Malaysia (98)	460.65	-22.1	444.06	287.41	381.89	462.09	-24.7	1.77	465.24	446.90	290.10	384.95	466.39	621.63	322.60	324.61
Mexico (18)	1910.19	-20.0	1841.37	1191.82	1583.67	7085.25	-12.8	1.89	1917.00	1841.40	1195.34	1586.12	7100.03	2647.08	1481.21	1502.56
Netherland (27)	197.02	-1.1	189.93	122.93	163.34	160.81	-8.9	3.53	196.97	189.20	122.82	162.97	160.47	207.43	164.59	167.13
New Zealand (14)	65.78	-3.1	63.41	41.04	54.53	59.44	-9.3	4.09	65.95	63.35	41.12	54.57	58.83	77.59	50.55	50.55
Norway (23)	188.00	4.7	181.22	117.29	155.85	177.80	-3.0	1.88	188.94	181.49	117.81	156.33	178.09	208.42	153.27	155.47
Singapore (44)	331.05	-9.9	319.13	206.55	274.45	232.44	-14.7	1.82	334.81	321.61	208.77	277.03	235.31	378.92	244.27	249.51
South Africa (59)	265.75	-0.5	256.17	165.81	220.31	276.19	10.3	2.28	266.15	255.66	165.96	220.21	276.61	284.58	175.93	200.25
Spain (42)	136.02	-2.4	131.12	84.86	112.76	135.55	-10.2	4.27	136.75	131.36	85.27	113.15	136.34	165.79	116.33	125.49
Sweden (36)	199.28	1.6	192.11	124.34	165.21	230.82	-4.7	1.73	207.36	199.18	129.30	171.57	235.90	231.35	168.07	[illegible]
Switzerland (47)	158.90	-0.8	153.18	99.14	131.73	131.78	-10.6	1.84	160.43	154.10	100.03	132.74	133.07	176.66	124.46	[illegible]
United Kingdom (205)	184.26	-10.1	177.62	114.97	152.76	177.62	-13.8	4.24	183.95	176.69	114.70	152.20	176.69	214.96	[illegible]	177.12
USA (519)	182.03	-4.1	175.48	113.58	150.91	182.03	-4.1	2.94	181.26	174.11	113.02	149.97	181.26	196.04	[illegible]	[illegible]
EUROPE (720)	161.57	-4.1	155.75	100.81	133.94	147.08	-10.9	3.17	162.21	155.81	101.14	134.21	147.27	178.58	[illegible]	[illegible]
Nordic (116)	198.06	4.5	190.94	123.58	164.21	198.43	-2.7	1.52	203.07	195.06	126.62	168.02	199.23	220.60	[illegible]	[illegible]
Pacific Basin (750)	173.96	19.9	167.70	108.54	144.22	113.75	7.5	1.06	175.57	168.65	109.48	145.27	114.79	175.57	[illegible]	[illegible]
Euro-Pacific (1470)	168.62	8.8	162.55	105.21	139.79	127.46	-0.8	1.90	169.83	163.13	105.89	140.51	128.18	170.78	[illegible]	[illegible]
North America (625)	178.35	-4.3	171.93	111.28	147.85	177.98	-4.2	2.94	177.62	170.62	110.75	146.96	177.25	192.73	[illegible]	[illegible]
Europe Ex. UK (515)	145.69	-1.3	140.44	90.90	120.78	128.49	-9.2	2.54	146.75	140.96	91.50	121.42	129.15	157.47	[illegible]	[illegible]
Pacific Ex. Japan (281)	235.60	-17.8	227.12	147.00	195.32	212.02	-20.6	3.01	238.68	229.27	148.83	197.49	214.66	296.21	[illegible]	[illegible]
World Ex. US (1653)	169.26	7.6	163.16	105.60	140.32	130.57	-0.9	1.93	170.41	163.69	106.26	141.00	131.28	172.51	[illegible]	[illegible]
World Ex. UK (1967)	171.34	4.6	165.16	106.90	142.04	143.46	-0.8	2.08	171.93	165.15	107.20	142.25	143.88	178.58	[illegible]	157.90
World Ex. So. Af. (2113)	171.94	3.3	165.75	107.28	142.54	145.70	-2.2	2.28	172.45	165.65	107.53	142.69	146.00	178.56	[illegible]	[illegible]
World Ex. Japan (1703)	177.32	-5.5	170.93	110.63	147.00	170.22	-7.9	3.01	177.38	170.38	110.60	146.76	170.10	195.20	166.00	167.85
The World Index (2172)	172.50	3.2	166.28	107.63	143.00	146.67	-2.1	2.28	173.01	166.19	107.88	143.16	146.96	178.97	157.88	159.60

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 193.22 (Local).
Canadian market closed 1/7/94.

EMERGING MARKETS: This Week

The Emerging Investor / Nicholas Denton

Low prices and timelags fuel Budapest

Hungarians, Budapest's brokers *among them, call the* summer the cucumber season, when nothing much happens.

But Hungary's securities houses are far from vegetating. Since April hardly a week has gone by without a new public offering or private placement of shares.

Fotex, the private retail group, raised $70m in April from international institutions in the largest equity issue ever by a Hungarian company. In June there were four significant offerings: Egis and Pharmavit in the pharmaceutical sector, Global TH, the retailer, *and Graboplast the artificial* leather producer.

In total, Hungary has seen new issues worth about $300m since April. That may not sound a lot in western terms, but it represents more than a quarter of the Budapest market's capitalisation of Ft113.6bn ($1.1bn) at the end of May.

The burst of new issues, also, for the first time, has lifted *portfolio* investment flows above foreign direct investment.

Hungary, more than any of its east European neighbours, had put the focus of privatisation on trade sales of state companies to western multinationals. Foreign direct investment was $2.3bn in 1993, taking the accumulated stock to more than $7bn, about half of the total for the region.

However that success has, to some extent, crowded out financial investors. The Budapest Stock Exchange, the only bourse in eastern Europe when *founded almost* four years ago, is now dwarfed by its Warsaw and Prague counterparts. The wave of new share issues offers Budapest the chance to catch up.

Mr Andras Simor, managing director of CA Securities, the local Creditanstalt subsidiary and lead manager of the most new issues, said: "It is high time." In a sense, it was just a matter of time. "Four years have passed since companies became aware of the stock market," said Mr Jozsef Rotyis, managing director of the BSE. "It is less and less of a problem to have the necessary three years of audited figures."

Western industrial investors have also improved the results of many Hungarian companies to the point that the state can float its remaining stake. A core western owner with management control provides reassurance to passive investors.

It does not always work that way. The new issues this spring were to have led up to a flagship public offering this autumn, of a stake in Matav, the telecommunications monopoly. But Deutsche Telekom and Ameritech, the German and US telecoms companies which bought 30 per cent of Matav last December, blocked the transaction.

There are, however, several cases of successful public offerings after a trade sale, like the brewery, Soproni Sorgyar, controlled by Brau of Austria and offered this April. And a growing number of private start-up companies like Pharmavit are mature enough to attract *equity finance.*

Hungary, in time, has also come round to the need to win popular support for privatisation by offering more state shareholdings to the public. A particular stimulus to the conservative government was the parliamentary election in May, which it eventually lost to the Socialist party.

However, this spring has not been the most propitious to tap equity investors. Falls in bond *markets* and in the *US dollar* have dampened equity markets throughout the world.

The allure of eastern Europe's markets has faded, too. Warsaw, Prague and Budapest have all plunged from the dizzy heights they reached in February and March, proving that the region's bourses can submerge as well as emerge.

The BSE index, which leapt 78 per cent in a month to an all-time high of 2,190 on February 2, has since fallen back by a third. Nor do last month's three point increase in Forint interest rates and rising yields *on government bonds augur* well for domestic demand for shares.

So why the increased activity?

One reason is the time it takes for new issues to get to market. The boom at the start of the year powered the burst of new issues but the issues themselves were only able to follow after a timelag. Hungarian transactions have a long lead time and issuers have to wait until the spring so that they can present fresh annual results to investors.

In spite of the worsening environment, none of the planned offerings was derailed. "We were on the wave of the bullish market and technically there is no way of stopping a transaction once you start," said Mr Lotfi Farbott of the Austrian-owned broker, GiroCredit. "There is a loss of prestige if you pull out."

Moreover, all the issues were fully subscribed and only one, the placing of Fotex, was scaled back, from a planned $100m to a eventual $70m.

Underpinning demand for new issues are the emerging markets funds set up at the peak of the equity boom. Foremost among them is CS First Boston's $200m Central European Growth Fund, launched in February. Quantum, controlled by the Hungarian-American speculator, Mr George Soros, has invested in an expansion of the First Hungary Fund.

Other active investors include funds managed by Templeton, John Govett and Fidelity. "There are huge funds on the market. They have to spend the money and they buy everything," said a broker with a leading firm.

But the institutions say that they can take their time. "We are not going to pour the money in," said Mr Janos Bartha, chief executive of CS First Boston Budapest. The CSFB fund plans to be only 60-70 per cent invested after the first year.

More clinching is the argument that Budapest, after falling from unsustainable heights, is cheap again. The Budapest market is valued at 14 times prospective earnings and many of the new issues have been made at a substantial discount.

Egis, for instance, was sold at a p/e ratio of just 7.3. All of the main new issues, except for Fotex, are trading above issue price.

The prospect for further gains is limited in the immedi*ate term, however, precisely* because of the new issues. They have siphoned off capital from the secondary market. Turnover in shares fell to a 1994 low last week and the index remains static in the 1400-1500 range.

Ten best performing stocks

Stock	Country	17/6/94 $ close	Week on week change $	Week on week change %
Eczacibasi Ilac	Turkey	0.0784	0.0152	23.99
Turkiye Is Bankasi	Turkey	0.1440	0.0249	20.88
Eletrobras (C)	Brazil	0.2148	0.0320	17.52
Kordosa	Turkey	0.3280	0.0459	16.26
Eelctrobras (Pfd)	Brazil	0.2145	0.0281	15.04
Kordosa	Turkey	0.2167	0.0427	14.98
Aygaz	Turkey	0.3280	0.0263	13.99
Light Servicos De Electricade	Brazil	0.2144	0.0244	12.86
Migros	Turkey	2.7840	0.2762	11.01
Yapi Ve Kredi Bankasi	Turkey	0.0848	0.0080	10.41

Source: Baring Securities

NEW EQUITY ISSUES

Company	Date	Dollar amount	%	Lead manager	P/E ratio
Danubius	Jan/94	$23.6m	29%	CA Securities	13.8
Pannonplast	Apr/94	$18.3m	51%	CS First Boston	6.9
Fotex	Apr/94	$70.0m	23%	CS First Boston	15.6
Soproni Sorgyar	Apr/94	$18.4m	37%	CA Securities	8.6
Pick Szeged	May/94	$23.5m	13%	Samuel Montagu	9.8
Pharmavit	Jun/94	$35.9m	35%	Samuel Montagu, CA Securities	12.2
Egis	Jun/94	$43.8m	29%	CS First Boston	7.3
Graboplast	Jun/94	$13.5m	58%	GiroCredit	9.0

News round-up

■ Thailand

The acquittal of Sia (Tycoon) Song, an influential stock market speculator has prompted Thailand's Securities and Exchange Commission to consider setting up a task force to investigate the trading of suspected share cheats.

The Police Department's economic crime suppression unit, which investigates the activities of market manipulation, is felt to be technically weak and too open to political influence.

The two-year-old stock market watchdog lost its first prosecution case when one of the local courts – which are always reluctant to find against the socially well-connected – said last week that there was insufficient evidence to show that Mr Song Watchararirong and eleven associates had ramped the price of Bangkok Bank of Commerce shares in 1992. The House of Representatives *committee looking into stock* market regulation has suggested a task force similar to Singapore's Commercial Affairs Department, which has the power to subpoena witnesses and to confiscate evidence.

■ Venezuela

Venezuela's equity market gave a negative *reaction to* the new economic and monetary measures announced by the government last week, *writes Joseph Mann in Caracas.*

The Caracas stock exchange lost more than 10 per cent in the days following the announcement, which included controls on foreign exchange transactions and prices as well as the executive's assumption of extraordinary powers.

Further bad news for investors came last Thursday when the administration of President Rafael Caldera assumed direct control over the country's financial system.

A 47 per cent devaluation of the bolivar since the start of the year has pushed prices of strong Venezuelan industrials down to the level of "penny stocks".

Over the first half of the year the Caracas stock index rose nominally by 24 per cent, however inflation remains a problem and could reach well more than 60 per cent by the year end.

● Emerging markets coverage appears daily on the World Stock Markets page

Baring Securities emerging markets indices

Index	1/7/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (288)	149.98	-0.40	-0.27	-8.84	-5.57	-18.43	-10.95
Latin America							
Argentina (20)	98.85	-6.01	-5.74	-17.26	-14.86	-16.53	-14.23
Brazil (22)	145.60	+6.59	+4.74	-2.30	-1.55	+5.95	+4.26
Chile (12)	179.56	-6.31	-3.40	-5.84	-3.15	+32.02	+21.70
Mexico (26)	131.36	+0.91	+0.70	-15.40	-10.49	-29.91	-18.55
Peru (16)	681.30	-12.13	-1.75	-65.43	-8.76	+105.21	+18.26
Latin America (96)	136.31	+0.39	+0.29	-11.67	-7.89	-12.94	-8.67
Europe							
Greece (13)	81.40	+0.71	+0.88	-1.85	-2.22	-1.69	-2.04
Portugal (16)	102.41	-1.52	-1.47	-9.34	-8.36	-9.71	-8.66
Turkey (20)	73.43	-0.07	-0.09	+10.64	+16.95	-88.29	-54.59
Europe (49)	89.04	-0.44	-0.49	-2.68	-2.92	-23.19	-20.66
Asia							
Indonesia (22)	143.21	-3.11	-2.13	-9.45	-6.19	-27.83	-16.27
Korea (23)	127.93	+0.80	+0.63	-0.01	-0.01	+18.23	+16.62
Malaysia (23)	209.15	-2.73	-1.29	-0.14	-0.07	-43.90	-17.35
Pakistan (10)	113.00	-0.14	-0.13	+6.80	+6.40	+1.31	+1.17
Philippines (11)	261.35	-5.88	-2.20	-39.13	-13.02	-61.13	-18.96
Thailand (24)	214.32	-2.34	-1.08	-14.63	-6.39	-49.23	-18.68
Taiwan (30)	148.14	+0.17	+0.12	+0.85	+0.58	-5.57	-3.62
Asia (143)	193.13	-1.78	-0.91	-5.18	-2.61	-28.28	-12.77

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCY MARKETS

Philip Gawith

Market watches for dollar support

Foreign exchange markets look set for a bumpy ride this week as traders watch anxiously to see whether G7 countries come up with a concerted plan of support for the dollar.

While the release of US labour market data on Friday will be closely watched as usual, the prior focus will be on a plethora of important policy meetings around the globe.

In Japan the Bank of Japan branch managers meet today and tomorrow, the Federal Open *Markets Committee in* the US meets tomorrow and Wednesday, the UK chancellor meets the governor of the Bank of England on Wednesday, and the Bundesbank council meets the following day.

Crowning it all is the G7 summit which starts in Naples on Friday and continues over the weekend.

The weakness of the dollar, and its impact on financial markets and economic growth, will certainly be high on the agenda in Naples. But dollar-bulls will be hoping for good news from the central banks before then.

Mr Jim O'Neill, head of global research at SBC in London, predicts erratic trading. He says the market has convinced itself that the G7 will try to help the dollar, and is likely to react sharply to any dollar sensitive information.

Mr O'Neill says a key issue is how the market is positioned. Based on the view that the market is probably reasonably square, he predicts that the dollar will trade in a DM1.56-DM1.61 range, while it could fall as low as Y95 against the yen.

The market will be looking for clear evidence that leading industrial nations are prepared to take active and concerted measures to bolster the dollar. Some analysts have raised the prospect of co-ordinated interest rate changes.

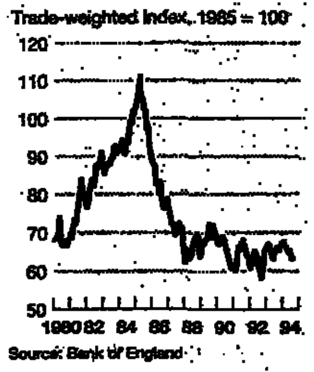
The chances, however, are slim. In particular, few analysts would bet on the FOMC raising rates. Late last month Mr Alan Greenspan, the Fed chairman, said the inflation outlook was reasonable.

Mr Robert Thomas, currency strategist at NatWest Markets, commented: "Although dollar weakness does not help, this is as much product of expectations about Japan and Germany. The Fed may feel that raising US rates alone will not change these expectations and only risk harming a decelerating economy."

The Bank of Japan has repeatedly said that it is not planning to cut its discount rate from 1.75 per cent. While the Bundesbank may be more keen to cut rates, it is likely to want to do this at a time of its own choosing.

Dollar

Trade-weighted index, 1985 = 100



Source: Bank of England

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday July 1, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	4024.80	2616.91	1641.1	2651.38
Albania	(Lek)	153.36	99.7074	62.528	101.021
Algeria	(Dinar)	58.9579	38.3341	24.0399	38.8391
Andorra	(Fr Fr)	8.4044	5.4644	3.4268	5.5364
	(Sp Peseta)	202.324	131.55	82.497	133.283
Gambia	(Dalasi)	14.9516	9.7214	6.0964	9.8495
Germany	(D-Mark)	2.4525	1.5946	1	1.6156
Ghana	(Cedi)	1438.42	935.264	586.512	947.576
Gibraltar	(Gib £)	1.00	0.6501	0.4077	0.6587
Greece	(Drachma)	371.120	241.3	151.323	244.48
Pakistan	(Pak. Rupee)	47.0311	30.5793	19.1767	30.9822
Panama	(Balboa)	1.5380	1	0.6271	1.0131
Papua New Guinea	(Kina)	1.4534	0.9449	0.5926	0.9574
Paraguay	(Guarani)	2757.23	1792.74	1124.25	1816.36
Peru	(New Sol)	3.3713	2.192	1.3746	2.2208
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights June 30, 1994 United Kingdom £0.940378 United States $1.44637 Germany DM2.31073 Japan Y143.461 European Currency Unit Rates July 1, 1994 United Kingdom £0.782038 United States $1.20082 Germany DM1.92131 Japan Y119.826

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; § CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Rwandan rate for March 31st. (3) Yemeni rates for April 29th. (4) Brazil: New currency (Real) introduced from 1.7.94 set at 1 Real to 1 US$ and convertible to Cruzeiro Real at rate quoted above. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/6.

Friday July 1, 1994

WORLD BOND MARKETS: This Week

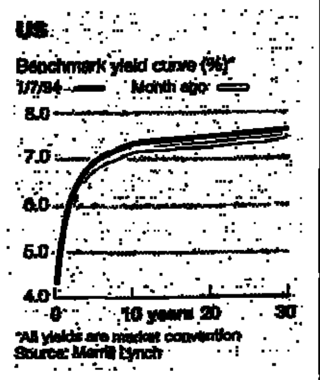
NEW YORK — Richard Waters

If the Federal Reserve felt inclined to intervene on behalf of the battered dollar with an interest rate rise, tomorrow's Federal Open Market Committee meeting would be the time to do it.

More likely, though, is that the two-day meeting will end without event as policymakers dwell on the state of the US economy, in particular whether the spring lull was followed by a rebound in June – a situation far more likely to prompt monetary tightening in due course.

While the dollar continued its collapse against the yen last week, its trade-weighted index remained generally stable.

Nor does the Fed seem likely to be panicked by higher commodity prices. Dry weather in the mid-west is one factor behind the rising commodity prices index: as Donaldson Lufkin & Jenrette pointed out, monetary policy is a powerful tool, "but it is difficult to find any examples of higher interest rates prompting precipitation".



The event of the week for the bond market is likely to be Friday's employment report for June. Job numbers are generally expected to be up by around 250,000 but some estimates put the rise at as much as 350,000. A figure at the top end of that range could well set the clock ticking on the next interest rate rise (the following FOMC meeting comes on August 16).

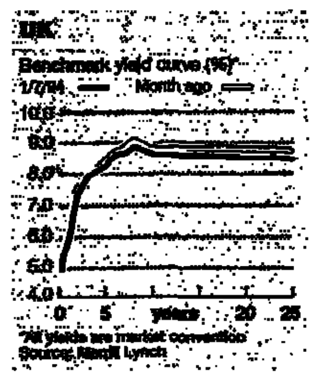
LONDON — Philip Coggan

International economic developments, rather than domestic fundamentals, are likely to dominate the fortunes of the gilts market this week.

With meetings of the Federal Open Market Committee, the Bundesbank council and the G7, traders will be looking to see if the dollar's recent weakness leads to any co-ordinated changes in interest rates. However, Wednesday's monthly meeting of the chancellor and the governor is not expected to lead to any rate change.

Last week's trading was again volatile, with a Wednesday rally on the successful floating-rate note auction, followed by a plunge on Thursday as the markets absorbed disappointing inflation implications in the purchasing managers index.

According to Mr Peter Fellner, gilt strategist at NatWest *Markets, the current* situation has "very much the feel of a market which is unable to sustain upward *momentum. The best one can* say is that it is in a consolidation phase."



Economic data this week could create some inflationary concerns. While the annual rate of M0 growth in June is expected to fall, it will still be well outside the government's 0–4 per cent monitoring range.

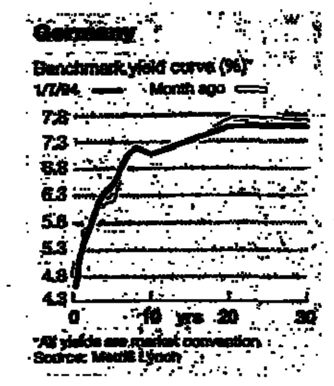
The consensus is that the *annual rate of manufacturing* production growth will drop from 3 per cent in April to 1.6 per cent in May.

FRANKFURT — David Waller

The scene is set for a volatile week in the bund market. Sandwiched between the Federal Reserve meeting on Tuesday and Wednesday and the G7 session on Friday comes the meeting of the Bundesbank's policy-making council on Thursday.

This is the penultimate meeting before the summer break and possibly the last opportunity for the central bank to deliver a cut in the discount rate; the July 21 meeting will be taken up with the annual review of money *supply*.

Ms Alison Cottrell of Midland Global Markets Research thinks that in the context of foreign exchange market turmoil there is a chance of a co-ordinated move on interest rates – with the Fed raising rates while the Bundesbank does the opposite. If both move by ¼ percentage *point the impact* would be "economically insignificant but psychologically important," she says.



Following last *Friday's* weaker than expected west German industrial output figures, this week's manufacturing orders are likely to confirm the pattern of a flattening recovery path, says Mr Adolf Rosentock at the Industrial Bank of Japan in Frankfurt.

In theory this should be good *news for the bunds, but the* market has long stopped being driven by domestic fundamentals.

TOKYO — Emiko Terazono

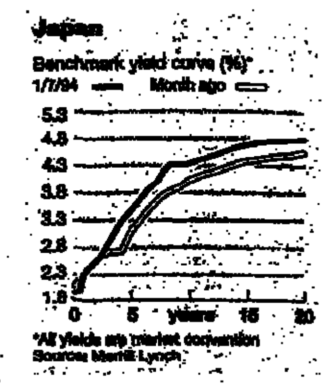
Japanese government bonds have failed to react to the appreciation of the yen, which is usually seen as a support factor for the market since a stronger currency depresses imported inflation.

Instead, investors have focused on a possible increase in supply due to the fiscally expansive stance of the new Murayama administration.

The new government has made clear it will continue to cut income taxes, while postponing the consumption tax increase, lobbied by the *powerful* Ministry of Finance.

The government, however, is running Y2,000bn behind its minimum financing requirement for the current business year, indicating the downward pressure on prices will increase later in the year.

Market participants this week will be looking at the quarterly Bank of Japan's *branch* manager's meeting, and possible easing of monetary policy in reaction to the yen's record highs.



Mr Lloyd Bentsen, US treasury secretary, has been calling for a co-ordinated interest rate move – cuts in the official discount rate by Germany and Japan, and a rise in US interest rates – to stop the dollar's decline.

However, while short-term money market rates may respond to such a move, bond prices are expected to remain depressed as investors remain cautious over the possible pressures of extra supply.

Capital & Credit / Graham Bowley and Emiko Terazono

Fear of increased issuance in Japan

Although it has not been hit as hard as other countries, Japan has not been spared during this year's worldwide tumble in bond prices.

Signs of economic recovery, currency volatility, heavy supply of new bonds and political uncertainty have combined to push bond yields up by about 1.5 points since January to a high of 4.6 per cent last week.

Evidence that the recession is at last coming to an end – the Bank of Japan's latest tankan survey showed the first upturn in business confidence for five years, and gross domestic product grew at an annual rate of 3.9 per cent in the first quarter of 1994 – has triggered fears of rising inflation.

But with most analysts expecting inflation to fall during the remainder of 1994 and growth expected to be less than ½ per cent in the year, the fears are hard to justify.

What investors in the Japanese bond market really fear is *that economic recovery* will be so strong that short-term interest rates are unlikely to fall much further and, more importantly, that the recovery will increase the supply of bonds from the corporate sector.

"It is clear from the level of bond yields that the financial markets are pricing in a sharp recovery, while the economic data only suggests a bottoming out," says Mr Eric Fishwick, analyst at IBJ Research.

"They are expecting this recovery to follow previous recoveries, which have been quick and largely investment-led," he says. "So for them, bottoming-out is synonymous with recovery and will mean a surge in demand for capital."

Fears of an oversupply of bonds have also been fuelled by Japan's political troubles. The resignation of Prime Minister Hata has led to a new socialist-led coalition government less committed to controlling the budget deficit.

It has pledged a further cut in income taxes to boost the economy, while postponing a planned offsetting rise in consumption taxes. The markets have taken *this to mean* the government will have to increase bond issuance to finance the deficit.

It is these concerns which have prompted bond dealers to mark prices down to such an extent, and hedge funds and foreign investors to sell JGBs. Overseas investors have also been tempted by the strength in the yen to sell Japanese bonds and take profits.

Equities have been one of the main beneficiaries of the sell-off in bonds, with investors attracted by the prospect of economic recovery.

"Throughout the bond market decline, however, Japanese investors have been buying their own bond market. They are cash-rich and with so much currency volatility they really have to stay with assets denominated in yen," says Mr Sanjay Joshi, chief economist at Daiwa Europe.

The recent rise of the yen should, in theory, offset some of these sources of weakness in the bond market. Its strength should repress inflation and is likely to hold back the fragile recovery, and so reduce the *likelihood of a rise in interest* rates. If the yen remains strong the Bank of Japan will come under increasing pressure to relax monetary policy.

"There is usually a strong correlation between the strength of the yen and rises in the *JGB* market," said Mr Joshi. This time, however, that relationship seems to have been broken.

"After the recent appreciation there was no reaction from bonds, which means they are now vulnerable to any downward correction in the currency," he said.

The reason for this, analysts say, is that investors think the current level of the yen is unsustainable so they prefer to liquidate their holdings of bonds and take profits now before the yen falls back again.

Views about the outlook for JGBs are divided. Some analysts believe yields have risen too far and that as it becomes increasingly evident that a strong recovery is not imminent, a correction is inevitable.

Mr Jim Vestal, economist at Barclays de Zoete Wedd in Tokyo, predicts the benchmark *yield will fall below 4 per cent* during the next two months.

Other analysts think the market may stabilise as more domestic institutional investors are attracted by high long-term yields. Some Y440bn of public pensions and welfare funds are expected to be allocated to fund managers in the next few weeks.

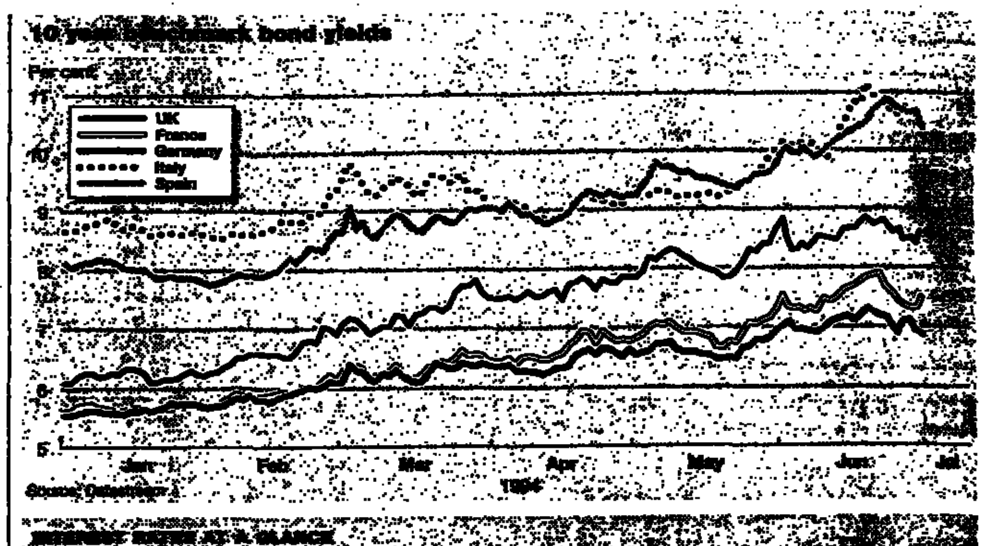
Yet others believe the markets have been expecting an imminent, strong recovery for so long they are not about to change their view now.

Mr Fishwick sees yields rising as high as 6 per cent by the beginning of next year.

Meanwhile, the bond market will be cheered if the G7 countries move to support the dollar by raising US and lowering Japanese interest rates.

Whether the Japanese bond market recovers will depend on a number of factors, not least the pace of economic recovery and international sentiment.

Worries about oversupply and the credibility of the new government's fiscal programme are likely to continue to depress the market and in the longer term, the strength *of the yen will probably dominate*. But as long as Japan's politics remain uncertain and the yen volatile, its bond market is unlikely to settle.



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International / Antonia Sharpe

Merrill Lynch races to top spot

The dramatic about-turn in sentiment in fixed-income markets this year from bull to bear has been accompanied by a changing of the guard among the top eurobond houses.

The most notable development has been Merrill Lynch's charge up the league table from ninth position in mid-1993 to top position, capturing almost 10 per cent of the market on the way.

According to data supplied by Euromoney Bondware, Merrill Lynch lead-managed the equivalent of $18.6bn worth of eurobonds from January to *June, compared with $7.3bn at* the same stage last year. In spite of difficult market conditions, total volume in the first half of this year only fell to $195bn from $210.6bn at the same stage last year.

News last week that Italy had appointed Merrill as the global co-ordinator of its $4bn floating-rate note offering denominated in dollars, yen and D-Marks highlights the efforts the bank has made to expand the number of currencies in which it can underwrite offerings. For example, Merrill recently arranged a £200m offering of 10-year eurobonds for Austria, its first eurosterling mandate since becoming a market-maker in UK gilts earlier in the year.

Changes in personnel have also contributed to the higher profile at J.P. Morgan, up five places to seventh, at SBC, up from 15th to ninth place, and at ABN-Amro, the Dutch bank, which has risen from 23rd to 16th position.

Mr Jon Greenwood, who left Goldman Sachs in February to join ABN-Amro as head of syndicate and new issues, says the increased primary market business has come about as a result of the unification of the fixed-income, equity, derivatives and treasury departments into one group.

The bank also wants to establish its reputation as a multi-currency house rather than as a domestic guilder operation. Mr Greenwood says the bank's target was to become one of the top dozen eurobond houses.

Among the casualties in the first half were the German banks, with Deutsche Bank falling from first position to sixth, and Dresdner Bank, which has slid a staggering 13 places to 18th. Syndicate managers blame Dresdner's performance on its dependence on the D-Mark sector, which only accounted for 7.7 per cent of total volume in the six months, down from 14.6 per cent in the first half of 1993.

Nomura, the powerful Japanese securities house, has dropped from sixth to 10th place, though over-dependence on the yen would be a poor excuse since the currency accounted for 13.5 per cent of *the total volume, up from* 9.9 per cent last year.

Salomon Brothers has failed to build on the success of last year when its return to the top 10 confirmed its rehabilitation with borrowers and investors after the Treasury auction scandal of 1991.

Its fall from seventh to 14th position reflects a certain degree of bad luck, since volatile market conditions scuppered mandates from Hungary and the Japanese Development Bank, while hopes of doing a deal for Turkey were blown by a deterioration in investor sentiment towards the country.

However, some observers have interpreted Salomon's lower profile as a confirmation that, despite its recent efforts to promote itself as a long-term player, it is still a trading house at heart and therefore reluctant to pitch for business in a bear market.

Syndicate managers are hopeful that the second half of the year will continue to produce the large mandates which have persisted despite the fall-out in the bond markets. Although several frequent borrowers, such as the Province of Ontario, are well ahead in their funding programmes, others are not yet in such an enviable position.

TOP EUROBOND LEAD MANAGERS

	First half of 1994				First half of 1993			
Manager	$bn	Rank	%	Issues	$bn	Rank	%	Issues
Merrill Lynch	18.60	1	9.54	80	7.31	9	3.47	32
Goldman Sachs	13.50	2	6.92	52	14.08	2	6.69	50
CSFB/Credit Suisse	12.56	3	6.44	44	10.32	4	4.90	42
UBS	8.50	4	4.36	25	7.34	8	3.49	35
Morgan Stanley	8.47	5	4.34	62	10.33	3	4.90	37
Deutsche Bank	8.47	6	4.34	37	16.91	1	8.03	52
JP Morgan	7.70	7	3.95	31	6.62	12	3.14	32
Lehman Brothers	7.11	8	3.65	31	7.02	10	3.34	46
Swiss Bank Corp	6.28	9	3.22	31	5.15	15	2.45	23
Nomura	6.27	10	3.21	42	7.40	6	3.51	29
Industry totals	195.02		100.0	1042	210.62		100.0	965

Full credit to book runner. Source: Euromoney Bondware

EUROBOND ISSUES BY CURRENCY

1994* Rank	Currency	Total raised ($bn)	No. of issues	1993* Rank	Total raised ($bn)	No. of issues
1	US$	79.81	367	1	75.34	374
2	Yen	26.39	209	5	20.86	92
3	Sterling	20.49	88	3	25.20	119
4	FFr	17.78	62	4	22.24	83
5	D-Mark	14.94	56	2	30.83	82
6	C$	9.27	71	6	17.63	96
7	Lire	9.10	70	8	5.90	39
8	Guilder	6.90	39	7	6.31	27
9	Ecu	4.93	19	9	3.23	9
10	A$	2.84	36	10	2.05	24

*First six months. Source: Euromoney Bondware

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Halifax Building Society	150	Jul.1997	6.75	99.92R	6.780	+32 (6½%-97)	Paribas Capital Markets
Nestlé Holdings(c)	200	Aug.1997	6.60	99.775R	6.585	+6 (6½%-97)	CS First Boston
Bk. of Tokyo Curacao Hldg‡‡	110	Aug.2004	(d1)	100.275	-	-	Bk.of Tokyo Cap.Mkts.
General Electric Capital Corp.	150	Aug.1997	6.50	99.754R	6.593	+10 (6½%-97)	BZW
President Enterprise Corp.‡§	100	Jul.2001	zero	100.00	-	-	Bankers Trust Intl.
Nat.Power Co., Philippines(e)	100	Jul.2009	9.75§	99.412R	9.826	+260(7¼%-04)	Morgan Stanley Intl.
YEN							
[illegible]							
STERLING							
[illegible]							
D-MARKS							
[illegible]							
ECUS							
[illegible]							
CANADIAN DOLLARS							
Crédit Local de France	100	Aug.2000	9.625	99.335R	9.777	+20 (f)	BMO Nesbitt Thomson
Gen. Electric Capl.Canada(g)	100	Dec.1999	9.375	99.824R	9.44	+16 (7¾%-99)	Goldman Sachs Intl.
European Investment Bank	150	Aug.1998	9.00	99.85R	9.046	+6 (f)	Daiwa Europe
Rabobank Nederland	100	Aug.1997	9.00	99.975R	9.010	+15 (f)	Wood Gundy
Banque Indosuez	75	Aug.1998	9.50	100.50R	9.344	+32 (f)	ScotiaMcLeod
AUSTRALIAN DOLLARS							
New Sth.Wales Treas.Corp.★	100	Jul.1997	4.50§	90.125	8.243	-	Nomura International
SWISS FRANCS							
[illegible]							
LUXEMBOURG FRANCS							
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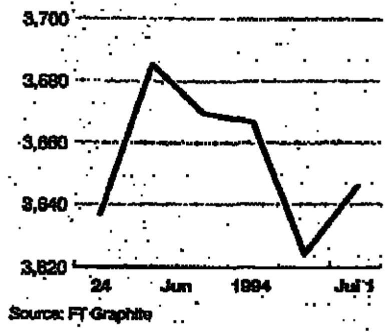
EQUITY MARKETS: This Week

NEW YORK — Frank McGurty

Pessimistic mood likely to depress prices

Dow Jones Industrial Average



Source: FT Graphite

With pessimism running so high on Wall Street, stocks are likely to stumble again this week, whether or not the Federal Reserve decides to lift short-term interest rates.

"Even though the economy, inflation and corporate earnings remain favourable, the money at the margin is in a nasty mood," says Mr Byron Wien, Morgan Stanley's portfolio strategist, in a recent investment advisory.

But bearishness has reached such a crescendo that Mr Wien and other market observers are taking the contrarian view that the market is poised for a sustained rally. "The balance of power, we hope, will shift back to long-term investors over the summer."

In the meantime, investors will have to be quick on their feet when they return from the long Independence Day weekend tomorrow morning. The central bank's Federal Open Market Committee is scheduled to begin a two-day policy-making session in Washington. It is anyone's guess whether the year's fifth move to tighter money is imminent.

For Wall Street, it appears to be a lose-lose situation. If the Fed stands pat despite the dollar's steady erosion, share prices are likely to slide in sympathy with the plight of the greenback.

With the US currency hitting a series of record lows against the yen last week, the bellwether Dow Industrial index could only manage a net gain of 10 points last week.

To a lesser degree, the subdued trading was a reaction to the perception of mounting inflationary pressures in the manufacturing sector. A lack of response to these signals by the Fed could drive long-term bond yields even higher, especially with June employment data, the month's most important economic release, due on Friday. Share prices, in turn, would probably swoon.

On the other hand, if the Fed opts for higher rates, more investors are likely to pull out of equities in favour of cash, fearing an autumn of cooling economic activity and withering corporate earnings.

Mr James Solloway, senior vice-president at Argus Research in New York, is one of a minority of Wall Street analysts who believe the Fed will hold off on higher rates. He says the central bank is reluctant to link monetary policy with currency fluctuations, and dismisses the perception that a surge in inflation is on the horizon, despite the recent upturn in commodity prices.

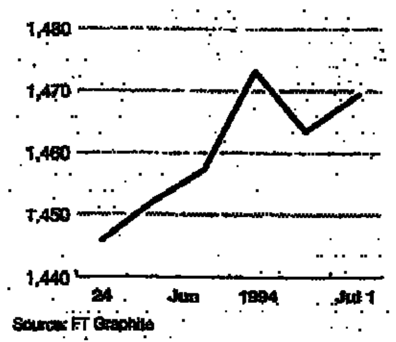
However, he admits to uncertainty on how the market will react to whatever tack emerges from the FOMC session.

"Right now, this market is driven by emotions, not by the fundamentals," says the Argus analyst.

LONDON — Terry Byland

Third quarter starts with modest rally

FT-SE-A All-Share Index



Source: FT Graphite

The stock market is looking forward to this morning – effectively the start of the third quarter of 1994 – with more optimism than seemed possible only a week ago. Indeed, it could hardly be worse than the April–June quarter, but there was more than that to the rally in equities at the end of last week.

So far, the rally has been modest enough and concentrated largely on the FT-SE 100 list; the Mid-250 stocks have been on the sidelines, sometimes to their advantage. Charterhouse Tilney Securities says the fall of around 0.8 per cent in the Footsie 100 in June contrasts with falls of 4.2 per cent and 5.1 per cent in the FT-SE Actuaries 350 and FT-SE Actuaries Small Cap indices respectively.

Markets across Europe have begun to move out of the shadow of the US dollar. For the first time for many weeks, European bonds, and therefore equities, held steady as the dollar/yen rate was hammered lower and US Treasuries fell away. It is not easy to see exactly what the stock market wants from the G7 meetings this week. But fears that the dollar will only be saved by brutal increases in US interest rates seem to have abated.

"If something can be done about the dollar, then this will ensure the chances of stabilising markets . . . " says NatWest Markets. Other analysts might express themselves more strongly. If the dollar can be stabilised, bond markets will settle down, and the way will be open for UK equities, in particular, to respond to recovery in the economy and in corporate earnings and dividends.

S.G. Warburg calculates that "top-down" corporate earnings, having grown by 50 per cent last year, seem set to increase by a further 30 per cent this year.

The flow of new issues and similar share placings continues to mop up a good part of the liquidity hanging over the stock market. Although liquidity is likely to increase now that fund managers can move into third-quarter planning, the new issue flow will have to slacken if shares are to stage a significant rally.

Unfortunately, there seems little sign of this. Recurrent rumours that the Kuwaiti authorities would like to place the stake in British Petroleum, together with Enterprise Oil's purchase of the Lasmo shares held by Philips & Drew Fund Management, suggest a wealth of potential placing activity in the background.

This week may be spent waiting for the meeting of the Group of Seven ministers but there are signs that some fund managers are unwilling to let UK shares drift any further.

One overseas fund tried, but failed, to put a sizeable sum into the London market last week. Market traders expect the same fund to reappear this week and will be watching eagerly for its traces.

International offerings

Italian investors show signs of issue fatigue

July marks the beginning of the summer holidays for many Italian companies. But this year it also marks the end – or nearly the end – of a frenetic four or five weeks of globe-trotting presentations by Italian executives, trying to sell their new issues of shares to international investors.

The surge in activity on the Milan stock market, prompted by the victory of Mr Silvio Berlusconi's right-wing political grouping in March's general election, was the spur for a series of rights issues and share offerings by Italian companies.

Such has been the density of Italian issues – analysts estimate more than L10,000bn is being raised on the market in July – that some roadshows may well have collided at big London or Frankfurt banks during June.

Among the biggest forthcoming issues is the L1,650bn sale of shares in Cariplo, probably the world's biggest savings bank, which is seeking a stock market listing for the first time, while at more than L4,800bn, last week's sale of Ina, the state-owned insurer, is Italy's biggest privatisation so far.

However, evidence is beginning to emerge of "issue fatigue" on the part of retail investors in Italy. The public offering of Ina shares, which begin trading on Wednesday, was oversubscribed, but enthusiasm was muted compared with previous privatisations. Advisers put part of the blame on the sheer size of the sale.

The smaller issue by Finanza & Futuro, Mr Carlo De Benedetti's financial services operation, which has so far raised about L130bn, had to be re-jigged to account for disappointingly low demand by the Italian public.

However, turbulence on world markets has not substantially dampened international fund managers' interest in Italian share issues so far, partly because the strong performance of the stock market this year, particularly relative to other markets, has buoyed demand.

In addition, "Italy was completely under-owned by UK fund managers," before the start of the privatisation programme, according to one fund manager.

However, the fatigue noted among Italian investors is also beginning to become apparent in Europe and the US. "People have overdosed on European paper in general and on Italian names in particular," said one observer.

Salomon Brothers, lead manager of the 200m share international tranche of the Cariplo deal, has decided against targeting the US specifically, given the relatively small size of the international portion and the relatively unenthusiastic reception to earlier issues. The deal has a 144a option, allowing placement among US institutional investors, but there will be no US roadshows.

Insurance and bank stocks are likely to suffer most, given that the financial sector is falling out of vogue. The pulling of Mediobanca's L1,500bn rights issue last month was viewed as a bad omen by some international investors.

But the more pressing question for the Italian government is whether international investor appetite will be sufficient to help consume the much larger state sell-offs to come.

The results of the Ina sale – and early trading in the issue this week – should give indications of the prospects for selling shares in Stet, the state telecommunications company, and Enel, the electricity generator, in the autumn.

Stet seems likely to attract the strongest interest, given the enthusiasm for telecommunications, although the stock is already readily available in the secondary market.

Andrew Hill and Tracy Corrigan

OTHER MARKETS

AMSTERDAM

Océ-van der Grinten, the office equipment maker, will kick off the Dutch second-quarter reporting season on Friday when it publishes results for the three months to May 31, *writes Ronald van de Krol.*

The figures are expected to underline the company's return to the path of stronger growth first detected in the fourth quarter of last year and confirmed in the first quarter of this year, when net profit jumped by more than 60 per cent.

In the latest quarter, Océ is again expected to show a marked rise in net profit compared with the particularly weak second quarter of 1993, when results plummeted by 47 per cent.

The beleaguered stock exchange will be hoping Océ-van der Grinten's higher trend will be matched by better results from other Dutch companies reporting second-half figures over the next four weeks.

The bourse has been dragged lower so far this summer by the decline in worldwide equity markets and has given up all the gains recorded early in 1994.

It is particularly weak because of the steady fall in the value of the dollar, a factor that tends to augur badly for the profits of many Dutch companies.

FRANKFURT

The Bundesbank Council's regular meeting on Thursday will provide a focus for trading this week.

UBS thinks that in the event of further dollar weakness, speculation about a supportive gesture by Buba is likely to increase.

"We feel, however, that domestic factors and concerns about its credibility should prevent the Bundesbank from performing such a step too early."

UBS adds that since the last cut in headline rates, inflation has only slowed by 0.2 percentage points and M3 growth argues for caution.

Generally positive statements are expected from Lufthansa, ahead of its rights issue, and Phillip Holzman at their annual meetings on Wednesday, and from Mannesmann on Friday.

Meanwhile, the market will be eagerly awaiting news of lucrative contracts for German companies as Li Peng, the Chinese prime minister, makes an official visit to the country this week.

LISBON

The first 20 per cent tranche of Cimpor, the state cement group is to be publicly offered on the bourse today.

The offer is seen as a test of investor interest in Portuguese privatisations, ahead of sales of stakes in the telecommunications and power utilities planned for the next 12 months.

Foreign institutions, led by Baring Brothers, have underwritten 47 per cent of the public offer and the remaining 53 per cent has been underwritten by Portuguese institutions led by Banco Fomento e Exterior.

A second tranche of between 20 and 25 per cent is to be sold to foreign investors in an offering on foreign exchanges later this year.

The final tranche of between 20 per cent and 30 per cent is scheduled for sale in the first half of 1995, giving private shareholders control of the company.

MILAN

General Electric of the US is to launch a public bid tomorrow for some 10 per cent of stock held by investors, other than the Italian state holding ENI, in its Nuovo Pignone turbines subsidiary.

GE will offer L7,149 per share, compared with Friday's closing L7,065, with the bid ending on August 17.

Last month, the US group bought 99.83m Pignone shares, equivalent to 69.33 per cent of its capital, from ENI, which held on to 20.25 per cent.

Under Italian law, GE is obliged to make a public offer for the remaining 10.42 per cent, which is widely dispersed.

PARIS

Remy Cointreau is due to report final results this week and analysts are uniformly upbeat about the prospects.

The Estimates Directory quotes a consensus forecast of a 22 per cent rise in net profits. That would be in line with the performance at six months when profits were up 24 per cent.

Despite slower growth in the third quarter, due mainly to tax changes in China, turnover for the nine months to December was up 6.2 per cent. The last quarter traditionally benefits from higher sales in south-east Asia, particularly over the Chinese new year.

TOKYO

Equity investors remain focused on movements of the yen, *writes Emiko Terazono.*

While US government officials have called for a concerted move on interest rates along with Japan and Germany, the Japanese cabinet would not commit itself last week to lowering the official discount rate, currently at a record low of 1.75 per cent.

With the US FOMC meeting and the G7 summit this week, volatility in the currency markets may increase.

If the yen rises further, the Nikkei index may test the June low of 20,168.53.

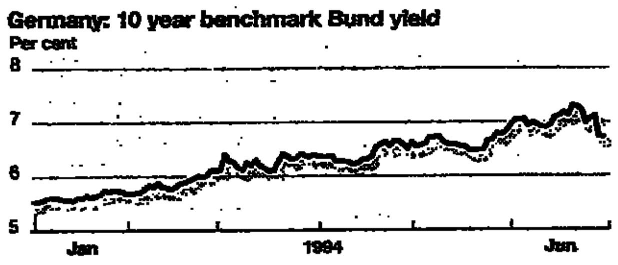
Compiled by Michael Morgan

Financial markets: the first half of the year at a glance

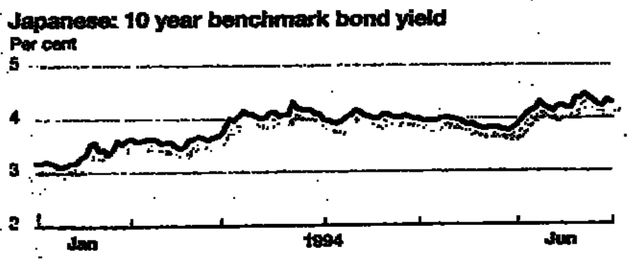
INTEREST RATES

	3-MONTH MONEY (%)			INFLATION (%)		
End month	Dec 93	Jun 94	Change	Dec 93	Latest	Change
US	3.3	4.8	1.5	2.8	2.3	–0.5
Japan	2.1	2.2	0.1	1.3	0.6	–0.7
Germany	5.9	4.9	–1.0	3.7	2.9	–0.8
France	6.3	5.6	–0.7	2.1	1.8	–0.3
Italy	8.2	8.4	0.2	4.0	4.0	0
UK	5.4	5.2	–0.2	1.9	2.6	0.7
Canada	3.8	6.3	2.5	1.7	–0.2	–1.9
Austria	5.6	5.0	–0.6	3.6	2.9	–0.7
Belgium	6.8	5.5	–1.3	2.7	2.6	–0.1
Denmark	6.9	6.0	–0.9	1.5	2.0	0.5
Finland	5.6	5.4	–0.2	1.5	0.2	–1.3
Ireland	6.2	5.6	–0.6	1.4	1.7	0.3
Holland	5.3	5.0	–0.3	2.6	2.8	0.2
Spain	8.8	7.8	–1.0	4.9	5.0	0.1
Sweden	7.4	7.1	–0.3	4.0	1.7	–2.3

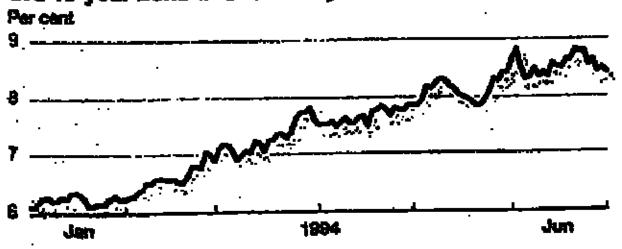
Germany: 10 year benchmark Bund yield
Per cent



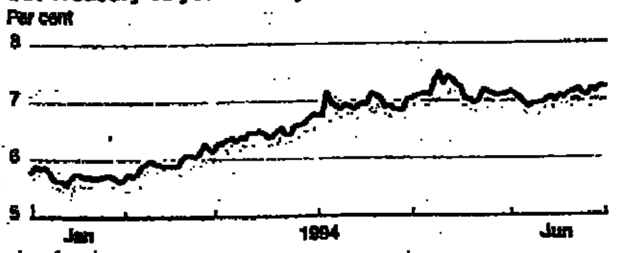
Japanese: 10 year benchmark bond yield
Per cent



UK: 10-year benchmark bond yield
Per cent



US: Treasury 10 year bond yield
Per cent

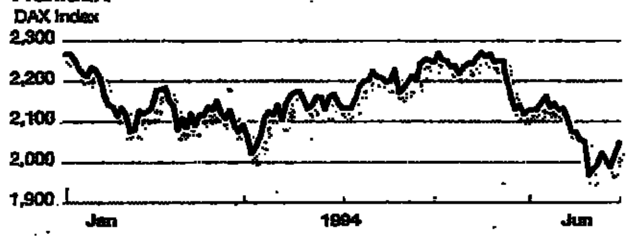


Source: Datastream

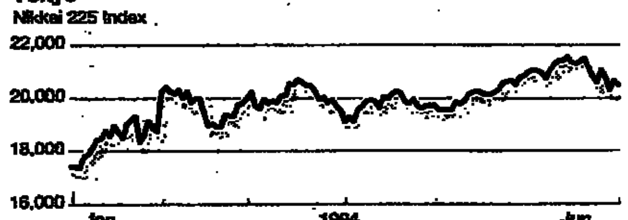
EQUITIES

	INDICES			% RISE/FALL	
End month	Jun 93	Dec 93	Jun 94	6 mths to Dec 93	12 mths to Jun 94
US: Dow Jones	3516.08	3754.09	3624.96	6.8	3.1
Japan: Nikkei	19590.00	17417.24	2064.93	–11.1	5.4
Germany: DAX	1697.63	2266.68	2025.34	33.5	19.3
France: CAC 40	1971.87	2268.22	1892.00	15.0	–4.1
Italy: Comit	536.15	619.47	689.59	15.5	28.6
UK: FT-SE100	2900.00	3418.40	2919.20	17.9	0.7
Canada: Toronto Comp.	3966.37	4321.43	4025.25	9.0	1.5
Belgium: BEL 20	1279.53	1473.10	1410.46	15.1	10.2
Denmark: Copenhagen Gen.	314.85	365.64	366.29	16.1	16.3
Finland: HEX	1164.91	1582.12	1691.20	35.8	45.2
Hong Kong: Hang Seng	7099.28	11888.30	8758.41	67.5	23.4
Netherlands: CBS Gen.	226.90	280.80	260.10	22.7	13.6
Spain: Madrid Gen.	259.84	322.77	300.14	24.2	15.5
Sweden: Affarsvalden	1083.02	1402.79	1372.44	29.5	26.7
Switzerland: General Index	2376.70	2957.60	2608.80	24.4	9.8

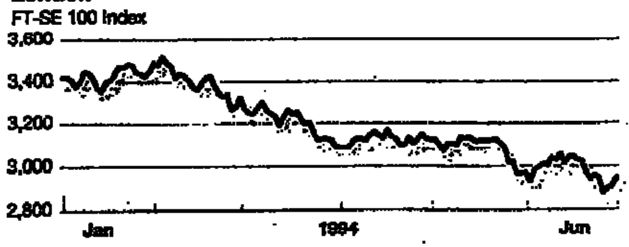
Frankfurt
DAX Index



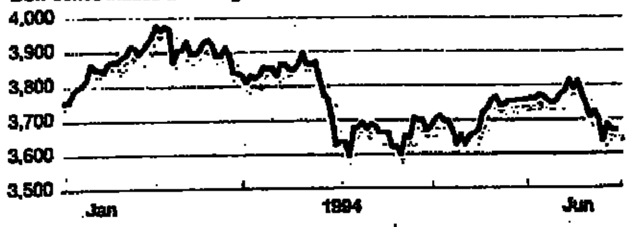
Tokyo
Nikkei 225 Index



London
FT-SE 100 Index



New York
Dow Jones Industrial Average Index

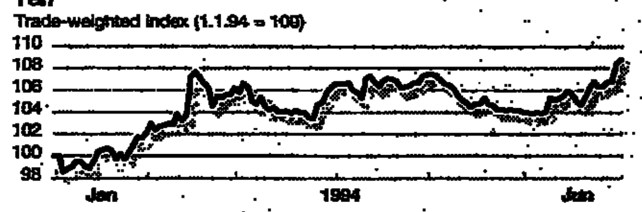


Source: Datastream

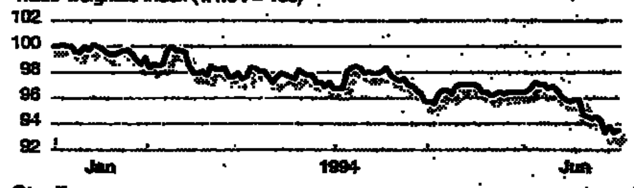
CURRENCIES

	US DOLLAR		D-MARK		YEN	
End month	Dec 93	Jun 94	Dec 93	Jun 94	Dec 93	Jun 94
US dollar	1.0000	1.0000	0.5759	0.6303	0.8960	1.0150
Yen	111.6100	98.5200	64.2729	62.0974	100.0000	100.0000
D-mark	1.7365	1.5865	1.0000	1.0000	1.5559	1.6104
French franc	5.9090	5.4405	3.4028	3.4292	5.2943	5.5222
Lire	1713.0600	1576.9900	986.5015	993.9810	1534.8600	1600.6800
Sterling	0.6759	0.6479	0.3892	0.4071	0.6056	0.6568
Canadian dollar	1.3238	1.3835	0.7623	0.8720	1.1861	1.4043
Australian dollar	1.4725	1.3723	0.8480	0.8650	1.3193	1.3929
Austrian schilling	12.2100	11.1600	7.0314	7.0342	10.9400	11.3280
Belgian franc	36.1500	32.6700	20.8177	20.5920	32.3900	33.1600
Danish krone	6.7793	6.2294	3.9040	3.9264	6.0741	6.3230
Hong Kong dollar	7.7233	7.7295	4.4476	4.8719	6.9199	7.8456
Dutch guilder	1.9426	1.7791	1.1187	1.1214	1.7405	1.8085
Spanish peseta	142.8600	131.0400	82.5689	82.5949	128.0000	133.0100
Swedish krona	8.3309	7.6588	4.7975	4.8274	7.4643	7.7739
Swiss franc	1.4850	1.3335	0.8552	0.8405	1.3305	1.3535

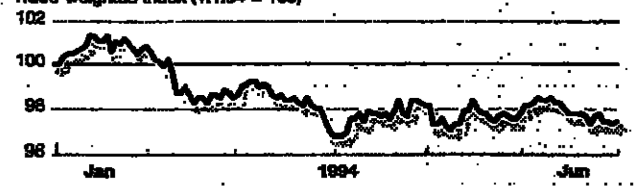
Yen
Trade-weighted index (1.1.94 = 100)



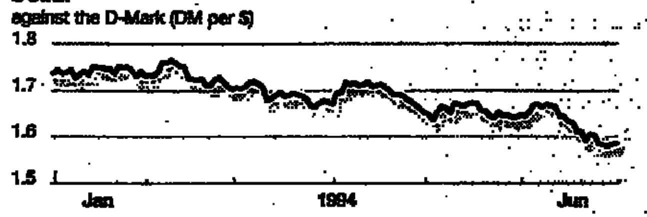
Dollar
Trade-weighted index (1.1.94 = 100)



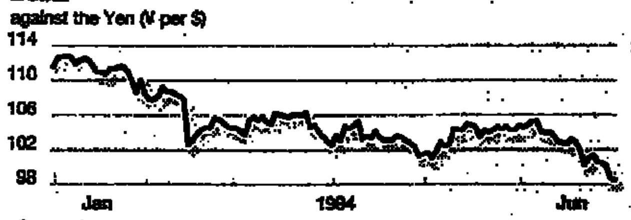
Sterling
Trade-weighted index (1.1.94 = 100)



Dollar
against the D-Mark (DM per $)



Dollar
against the Yen (Y per $)



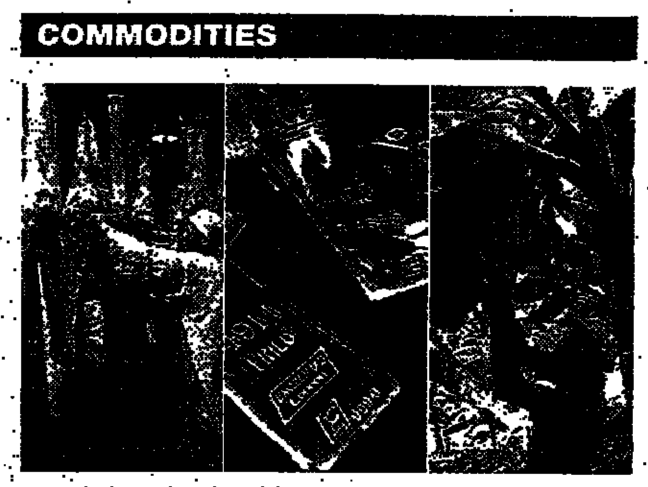
Source: Datastream and Bank of England

EMERGING MARKETS

	INDEX 7.1.92 =100			% RISE/FALL	
End month	Jun 93	Dec 93	Jun 94	6 months to Jun 94	12 months to Jun 94
World	111.7	168.4	132.1	–21.6	18.2
Argentina	75.8	115.4	101.8	–11.8	34.3
Brazil	113.3	139.7	156.9	12.4	38.5
Chile	104.9	147.5	183.1	24.1	74.6
Mexico	108.2	161.3	132.1	–18.1	22.1
Peru	414.7	576.1	685.0	18.9	65.2
Latin America	105.1	149.2	140.5	–5.9	33.7
Greece	77.3	83.1	82.6	–0.6	6.9
Portugal	94.5	112.1	104.3	–7.0	10.3
Turkey	112.5	161.7	75.7	–53.2	–32.7
Europe	93.0	112.2	90.7	–19.2	–2.4
Indonesia	129.8	171.0	142.7	–16.6	9.9
South Korea	88.6	109.7	128.7	17.3	45.2
Malaysia	154.2	235.1	211.1	–16.6	36.9
Pakistan	62.2	111.7	113.0	1.2	81.6
Philippines	145.6	322.5	265.4	–17.7	82.3
Thailand	135.6	236.6	214.3	–18.7	58.0
Taiwan	92.7	153.7	148.1	–3.6	59.8
Asia	130.8	221.4	194.1	–12.3	48.4
China	53.0	100	57.6	–42.4	8.8
India	64.2	100	118.7	18.7	84.8
South Africa	79.4	106.9	102.4	–4.3	29.0

Source: Baring Securities

COMMODITIES



	PRICES			% RISE/FALL	
End month	Jun 93	Dec 93	Jun 94	6 months to Dec 93	12 months Jun 94
Aluminium ($ per tonne)	1255.5	1137.5	1497.5	–9.4	19.3
Copper ($ per tonne)	1920.5	1828.5	2386.5	–4.8	24.3
Gold ($ per fine oz)	378.25	390.75	388.0	3.3	2.6
Lead ($ per tonne)	402.25	499.5	556.0	24.2	38.2
Nickel ($ per tonne)	5424.5	5435.0	6232.5	0.2	14.9
Silver (cents per troy oz)	460.95	515.2	531.15	11.8	15.2
Tin ($ per tonne)	5132.5	4925.5	5317.5	–4.0	3.6
Platinum ($ per troy oz)	385.65	393.5	400.25	2.0	3.8
Zinc ($ per tonne)	944.75	1005.5	976.5	6.4	3.4
Wheat (£ per tonne)	147.0	175.0	180.0	19.0	22.4
Soyabeens (£ per tonne)	191.0	206.0	182.0	7.9	–4.7
Cocoa (£ per tonne)	714.0	910.0	976.0	27.5	36.7
Coffee ($ per tonne)	917.0	1232.0	3128.0	34.4	241.1
Cotton (cents per lb)	57.1	62.45	82.25	9.4	44.0

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

Prices supplied by Telekurs

■ TOKYO - MOST ACTIVE STOCKS: Friday, July 1, 1994

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Oil	12.8m	1,060	+20
Mitsubishi Hvy	8.0m	800	+11
NKK	6.3m	261	-4
Nitsuko	5.8m	1,570	+40
Sumitomo Mtl Ind	5.7m	288	-9
Ashikaga Bank	5.2m	750	[illegible]
Nippon Steel	4.8m	344	[illegible]
Mitsui Co	4.4m	833	[illegible]
Hitachi	4.4m	1,040	[illegible]
Itochu	4.1m	744	[illegible]

INDICES

US INDICES

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jul	1876.0	1868.0	-11.0	1894.0	1865.0	28,207	33,840
Aug	1886.0	1874.0	-13.0	1886.0	1886.0	-	263
Sep	1893.0	1882.0	-12.0	1903.0	1870.0	800	25,330

Open interest figures for previous day.

** Sat Jun 25 : Taiwan Weighted Price 5903.35; Korea Comp Ex 918.98. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours Index: Jul 01 - 2040.69 +19.34

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

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● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administration costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✓) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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Thornton Unit Managers Ltd

OTHER UK UNIT TRUSTS

INSURANCES

AIG Life

AXA Equity & Law Life Assce

Abbey Life Assurance Co Ltd

Canada Life Group

Family Life Assurance Ltd

Friends Provident

Irish Life Assurance Co Plc

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Scottish Equitable plc - Contd.

Sun Alliance Group - Contd.

CMI Insurance Co Ltd

Scottish Provident Intl Life Ass Ltd

Guinness Flight Fd Mngrs - Contd.

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

Baring Mutual Fund Mngmt (Ireland) Ltd

Chemical Ireland Fund Administrators Ltd

Capital House Fund Mgrs (CI) Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jul 1		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2849	+0.018	765 - 932	17.3133	17.1204	17.2811	0.3	17.2755	0.2	-	-	114.7
Belgium	(BFr)	50.5233	-0.0247	025 - 441	50.7410	50.1630	50.5133	0.2	50.5583	-0.3	50.5783	-0.1	116.0
Denmark	(DKr)	9.6313	-0.015	272 - 353	9.6877	9.5800	9.6383	-0.9	9.655	-1.0	9.6844	-0.6	116.5
Finland	(FM)	8.1849	-0.0004	754 - 944	8.2840	8.1440	-	-	-	-	-	-	81.1
France	(FFr)	8.4044	-0.0213	999 - 089	8.4323	8.3781	8.4085	-0.6	8.4155	-0.5	8.3955	0.1	109.1
Germany	(DM)	2.4525	-0.0039	512 - 537	2.4630	2.4445	2.4524	0.0	2.453	-0.1	2.4317	0.8	125.0
Greece	(Dr)	371.120	+0.306	715 - 524	371.581	368.486	-	-	-	-	-	-	-
Ireland	(I£)	1.0114	-0.0034	106 - 122	1.0180	1.0106	1.0118	-0.5	1.0125	-0.5	1.0141	-0.3	104.9
Italy	(L)	2438.58	-4.86	679 - 036	2458.49	2430.83	2444.98	-3.1	2457.28	-3.1	2503.53	-2.7	76.2
Luxembourg	(LFr)	50.5233	-0.0247	025 - 441	50.7410	50.1630	50.5133	0.2	50.5583	-0.3	50.5783	-0.1	116.0
Netherlands	(Fl)	2.7504	-0.0047	489 - 519	2.7605	2.7421	2.7504	0.0	2.7498	0.1	2.7285	0.8	120.0
Norway	(NKr)	10.7165	-0.0022	122 - 208	10.7932	10.6652	10.7109	0.6	10.7234	-0.3	10.7146	0.0	86.0
Portugal	(Es)	252.632	-0.508	489 - 775	253.353	250.890	253.607	-4.8	255.552	-4.6	-	-	-
Spain	(Pta)	202.324	-0.802	194 - 453	203.504	201.065	202.794	-2.8	203.669	-2.7	206.499	-2.1	85.7
Sweden	(SKr)	12.0331	+0.1721	242 - 420	12.1965	11.7723	12.0581	-2.3	12.0911	-1.9	12.1891	-1.3	73.8
Switzerland	(SFr)	2.0571	-0.008	558 - 584	2.0652	2.0540	2.0559	0.7	2.053	0.8	2.0286	1.4	120.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.6
Ecu	-	1.2826	-0.0015	817 - 834	1.2876	1.2788	1.2836	-0.9	1.2798	0.9	1.2858	-0.2	-
SDR†	-	0.940378	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5344	-0.0082	339 - 349	1.5410	1.5265	-	-	-	-	-	-	-
Brazil	(Cr)	4229.50	+91.11	840 - 060	-	-	-	-	-	-	-	-	-
Canada	(C$)	2.1250	-0.0074	240 - 259	2.1363	2.1129	2.1268	-1.0	2.1319	-1.3	2.1623	-1.8	86.1
Mexico	(New Peso)	5.2177	-0.0107	125 - 229	5.2365	5.1974	-	-	-	-	-	-	-
USA	($)	1.5380	-0.0055	376 - 384	1.5447	1.5300	1.5374	0.5	1.537	0.3	1.5337	0.3	63.5
Pacific/Middle East/Africa													
Australia	(A$)	2.1108	-0.0017	096 - 120	2.1246	2.0925	2.1101	0.4	2.1085	0.4	2.1075	0.2	-
Hong Kong	(HK$)	11.8875	-0.0426	840 - 909	11.9384	11.8269	11.8794	0.8	11.8755	0.4	11.9025	-0.1	-
India	(Rs)	48.2452	-0.1729	268 - 635	48.2635	48.2268	-	-	-	-	-	-	-
Japan	(Y)	151.808	-0.446	730 - 886	153.180	150.890	151.418	3.1	150.613	3.1	146.328	3.6	192.3
Malaysia	(M$)	4.0059	-0.0116	041 - 077	4.0216	3.9857	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5735	-0.0192	717 - 752	2.5834	2.5628	2.5728	0.3	2.5764	-0.4	2.5829	-0.4	-
Philippines	(Peso)	41.5261	-0.1471	077 - 445	42.2987	41.2077	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7691	-0.0195	668 - 713	5.7929	5.7388	-	-	-	-	-	-	-
Singapore	(S$)	2.3432	-0.0107	418 - 445	2.3544	2.3337	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6152	-0.0223	122 - 182	5.6397	5.5944	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.3132	-0.0259	959 - 305	7.3310	7.2905	-	-	-	-	-	-	-
South Korea	(Won)	1238.17	-4.39	777 - 857	1243.48	1231.80	-	-	-	-	-	-	-
Taiwan	(T$)	41.2476	-0.1482	284 - 668	41.4188	41.0415	-	-	-	-	-	-	-
Thailand	(Bt)	38.4962	-0.1516	708 - 215	38.6180	38.3110	-	-	-	-	-	-	-

†SDR rate for Jun 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.2385	+0.05	360 - 410	11.2950	11.2350	11.243	-0.5	11.251	-0.4	11.1885	0.4	103.9
Belgium	(BFr)	32.8500	+0.1	450 - 550	33.1010	32.6500	32.87	-0.7	32.9	-0.6	32.82	-0.2	105.4
Denmark	(DKr)	6.2622	+0.0124	612 - 632	6.3064	6.2240	6.2682	-1.3	6.2827	-1.3	6.3172	-0.9	104.8
Finland	(FM)	5.3218	+0.0186	170 - 266	5.3914	5.2741	5.3238	-0.5	5.3293	-0.6	5.3508	-0.5	75.8
France	(FFr)	5.4645	+0.0055	630 - 660	5.5030	5.4345	5.4693	-1.1	5.4762	-0.9	5.4525	0.2	105.5
Germany	(D)	1.5946	+0.0031	942 - 950	1.6055	1.5847	1.5952	-0.5	1.5953	-0.2	1.5856	0.6	106.3
Greece	(Dr)	241.300	+1.05	100 - 500	242.000	241.000	242.65	-6.7	243.5	-3.6	245.8	-1.9	69.2
Ireland	(I£)	1.5207	-0.0003	198 - 215	1.5267	1.5086	1.5195	0.9	1.5177	0.8	1.5119	0.6	-
Italy	(L)	1585.55	+2.45	480 - 630	1603.50	1577.00	1590.3	-3.6	1599	-3.4	1633.05	-3.0	76.6
Luxembourg	(LFr)	32.8500	+0.1	450 - 550	33.1010	32.6500	32.87	-0.7	32.9	-0.6	32.82	-0.2	105.4
Netherlands	(Fl)	1.7883	+0.0033	878 - 888	1.7989	1.7776	1.7889	-0.4	1.7892	-0.2	1.7799	0.5	105.2
Norway	(NKr)	6.9678	+0.0232	668 - 688	7.0291	6.9160	6.9703	-0.4	6.9753	-0.4	6.9388	0.4	96.2
Portugal	(Es)	164.260	+0.25	210 - 310	165.370	164.110	165.56	-9.5	167.76	-8.5	174.01	-5.9	93.9
Spain	(Pta)	131.550	-0.065	500 - 600	132.550	130.950	131.905	-3.2	132.53	-3.0	134.7	-2.4	80.7
Sweden	(SKr)	7.8238	+0.1381	201 - 276	7.9575	7.6339	7.8399	-2.5	7.8679	-2.2	7.9914	-2.1	80.3
Switzerland	(SFr)	1.3375	-0.0005	370 - 380	1.3465	1.3305	1.3373	0.2	1.3359	0.5	1.3233	1.1	106.2
UK	(£)	1.5380	-0.0055	376 - 384	1.5447	1.5300	1.5374	0.5	1.537	0.3	1.5337	0.3	88.2
Ecu	-	1.1992	-0.0028	987 - 997	1.2062	1.1910	1.1979	1.4	1.1956	1.1	1.2052	-0.5	-
SDR†	-	1.44837	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9977	-0.0005	976 - 977	0.9977	0.9975	-	-	-	-	-	-	-
Brazil	(Cr)	2750.00	+68.75	000 - 000	2750.00	2750.00	-	-	-	-	-	-	-
Canada	(C$)	1.3817	+0.0001	814 - 819	1.3832	1.3790	1.3834	-1.5	1.3873	-1.6	1.4105	-2.1	82.4
Mexico	(New Peso)	3.3925	+0.005	900 - 950	3.3950	3.3900	3.3935	-0.4	3.3953	-0.3	3.4027	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3724	+0.0037	719 - 729	1.3760	1.3652	1.3727	-0.3	1.3728	-0.1	1.3765	-0.3	86.1
Hong Kong	(HK$)	7.7292	-0.0003	289 - 294	7.7300	7.7286	7.7287	0.1	7.7312	-0.1	7.7455	-0.2	-
India	(Rs)	31.3688	-0.0012	650 - 725	31.3725	31.3650	31.4488	-3.1	31.5938	-2.9	-	-	-
Japan	(Y)	98.7050	+0.06	800 - 300	99.8000	97.7000	98.49	2.6	97.99	2.9	95.405	3.3	152.1
Malaysia	(M$)	2.6046	+0.0017	041 - 051	2.6056	2.6035	2.5971	3.5	2.5936	1.7	2.6246	-0.8	-
New Zealand	(NZ$)	1.6732	-0.0066	725 - 739	1.6810	1.6711	1.675	-1.3	1.6796	-1.5	1.7013	-1.7	-
Philippines	(Peso)	27.0000	-	000 - 000	27.2000	26.6000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7510	+0.0006	505 - 515	3.7515	3.7505	3.7515	-0.2	3.7536	-0.3	3.7663	-0.4	-
Singapore	(S$)	1.5238	-0.0015	231 - 240	1.5252	1.5228	1.5228	0.6	1.5225	0.3	1.5246	-0.1	-
S Africa (Com.)	(R)	3.6510	-0.0015	500 - 520	3.6670	3.6480	3.6665	-5.1	3.6948	-4.8	3.7715	-3.3	-
S Africa (Fin.)	(R)	4.7550	-	450 - 650	4.7650	4.7450	4.7867	-8.5	4.8475	-7.8	-	-	-
South Korea	(Won)	805.050	-	000 - 100	805.200	805.000	808.05	-4.5	811.55	-3.2	830.05	-3.1	-
Taiwan	(T$)	26.8190	-	135 - 245	26.8300	26.8125	26.839	-0.9	26.879	-0.9	-	-	-
Thailand	(Bt)	25.0300	-0.01	200 - 400	25.0400	25.0000	25.1025	-3.5	25.23	-3.2	25.71	-2.7	-

†SDR rate for Jun 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 30. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.06	16.63	4.854	2.001	4828	5.443	21.22	500.0	400.4	23.81	4.072	1.979	4.206	3.044	300.5	2.540
Denmark	(DKr)	52.48	10	8.726	2.546	1.050	2532	2.855	11.13	262.3	210.1	12.49	2.136	1.038	2.206	1.597	157.6	1.332
France	(FFr)	60.11	11.46	10	2.918	1.203	2902	3.272	12.76	300.6	240.7	14.31	2.448	1.190	2.529	1.830	180.6	1.527
Germany	(DM)	20.60	3.928	3.427	1	0.412	994.7	1.122	4.372	103.0	82.50	4.906	0.839	0.408	0.867	0.627	61.91	0.523
Ireland	(I£)	49.97	9.526	8.313	2.425	1	2412	2.720	10.60	249.9	200.1	11.90	2.035	0.989	2.102	1.521	150.1	1.269
Italy	(L)	2.071	0.395	0.345	0.101	0.041	100.	0.113	0.440	10.36	8.294	0.493	0.084	0.041	0.087	0.063	6.224	0.053
Netherlands	(Fl)	18.37	3.502	3.056	0.892	0.368	886.9	1	3.898	91.85	73.56	4.375	0.748	0.364	0.773	0.559	55.20	0.467
Norway	(NKr)	47.13	8.984	7.840	2.287	0.943	2275	2.565	10	235.6	188.7	11.22	1.919	0.933	1.982	1.435	141.6	1.197
Portugal	(Es)	20.00	3.813	3.327	0.971	0.400	965.6	1.089	4.244	100.	80.09	4.762	0.814	0.396	0.841	0.609	60.10	0.508
Spain	(Pta)	24.97	4.761	4.154	1.212	0.500	1206	1.359	5.299	124.9	100.	5.947	1.017	0.494	1.050	0.760	75.04	0.634
Sweden	(SKr)	42.00	8.006	6.986	2.038	0.840	2027	2.286	8.911	210.0	168.2	10	1.710	0.831	1.766	1.278	126.2	1.067
Switzerland	(SFr)	24.56	4.682	4.086	1.192	0.491	1186	1.337	5.211	122.8	98.35	5.848	1	0.486	1.033	0.748	73.80	0.624
UK	(£)	50.52	9.631	8.404	2.452	1.011	2439	2.750	10.72	252.6	202.3	12.03	2.057	1	2.125	1.538	151.8	1.283
Canada	(C$)	23.77	4.532	3.955	1.154	0.476	1148	1.294	5.045	118.9	95.20	5.661	0.968	0.471	1	0.724	71.44	0.604
US	($)	32.85	6.262	5.464	1.594	0.657	1586	1.788	6.970	164.2	131.5	7.822	1.337	0.650	1.382	1	98.70	0.834
Japan	(Y)	332.8	63.45	55.36	16.15	6.660	16067	18.12	70.62	1664	1333	79.25	13.55	6.588	14.00	10.13	1000.	8.452
Ecu		39.38	7.507	6.550	1.911	0.788	1901	2.143	8.355	196.9	157.7	9.378	1.603	0.779	1.656	1.199	118.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.6300	0.6271	-0.0028	0.6306	0.6227	40,785	85,130
Dec	-	0.6279	-0.0027	0.6301	0.6253	389	2,851
Mar	-	0.6294	-0.0025	0.6300	0.6275	1	709

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.7509	0.7485	-0.0021	0.7520	0.7440	17,883	48,933
Dec	0.7483	0.7504	-0.0021	0.7515	0.7479	127	935
Mar	-	0.7531	-0.0021	-	-	2	10

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.0213	1.0204	-0.0007	1.0291	1.0096	28,707	64,035
Dec	1.0340	1.0288	-0.0004	1.0360	1.0182	973	3,283
Mar	-	1.0375	-0.0001	1.0370	1.0290	6	684

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.5434	1.5386	-0.0038	1.5434	1.5302	11,896	37,733
Dec	1.5336	1.5380	-0.0038	1.5390	1.5332	41	420
Mar	-	1.5376	-0.0038	-	1.5350	17	148

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.450	8.75	8.78	8.80	-	0.04	0.26
1.475	6.33	6.51	6.81	-	0.22	0.59
1.500	3.97	4.42	4.93	0.11	0.61	1.12
1.525	2.00	2.68	3.32	0.59	1.35	1.99
1.550	0.70	1.48	2.11	1.79	2.53	3.21
1.575	0.16	0.71	1.25	3.69	4.25	4.82

Previous day's vol., Calls 131,771 Puts 138,370. Prev. day's open int., Calls 576,746 Puts 495,435

UK INTEREST RATES

LONDON MONEY RATES

Jul 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¾ - 4½	5⅛ - 4$\frac{13}{16}$	5$\frac{1}{16}$ - 4$\frac{15}{16}$	5¼ - 5	5½ - 5⅜	6¼ - 6⅛
Sterling CDs	-	-	5 - 4$\frac{15}{16}$	5⅛ - 5$\frac{1}{16}$	5⅜ - 5¼	6$\frac{1}{16}$ - 6
Treasury Bills	-	-	4$\frac{29}{32}$ - 4$\frac{27}{32}$	4$\frac{31}{32}$ - 4$\frac{29}{32}$	-	-
Bank Bills	-	-	4$\frac{15}{16}$ - 4⅞	5 - 4$\frac{15}{16}$	5$\frac{11}{32}$ - 5$\frac{9}{32}$	-
Local authority deps.	5¾ - 5⅝	4$\frac{13}{16}$ - 4$\frac{11}{16}$	5 - 4$\frac{15}{16}$	5⅛ - 5$\frac{1}{16}$	5⅜ - 5$\frac{5}{16}$	6$\frac{1}{16}$ - 5$\frac{15}{16}$
Discount Market deps	5½ - 4¾	5 - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.9525pc. ECGD fixed rate Stg. Export Finance. Make up day June 30, 1994. Agreed rate for period Jul 26, 1994 to Aug 23, 1994, Schemes II & III 6.44pc. Reference rate for period Jun 1, 1994 to June 30, 1994, Schemes IV & V 5.1870pc. Finance House Base Rate 5½pc from July 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Jul 1	Jun 24
Bills on offer	£500m	£500m
Total of applications	£1436m	£1642m
Total allocated	£500m	£500m
Min. accepted bid	£98.760	£98.770
Allotment at min. level	12%	81%

	Jul 1	Jun 24
Top accepted rate	4.9736%	4.9335%
Ave. rate of discount	4.9525%	4.9169%
Average yield	5.0144%	4.9779%
Offer at next tender	£500m	£500m
Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

■ Pound in New York

Jul 1	Close	Prev. close
£ spot	1.5380	1.5440
1 mth	1.5375	1.5434
3 mth	1.5370	1.5428
1 yr	1.5335	1.5388

FIXED INTEREST RATES

MONEY RATES

July 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5	5¼	5⅜	5$\frac{13}{16}$	6$\frac{1}{16}$	7.40	4.50	-
week ago	5⅛	5¼	5⅜	5⅞	6$\frac{1}{16}$	7.40	4.50	-
France	5⅝	5½	5⅝	5¾	6$\frac{1}{16}$	5.10	-	6.75
week ago	5½	5½	5⅜	5¾	6⅛	5.30	-	6.75
Germany	5.18	4.95	4.95	4.95	5.13	6.00	4.50	5.05
week ago	4.90	4.95	4.95	5.00	5.13	6.00	4.50	5.05
Ireland	5⅜	5$\frac{7}{16}$	5$\frac{13}{16}$	6$\frac{1}{16}$	6¼	-	-	6.25
week ago	5⅜	5$\frac{7}{16}$	5⅜	5⅞	6$\frac{1}{16}$	-	-	6.25
Italy	8	8$\frac{7}{16}$	8⅝	8⅞	9$\frac{3}{16}$	-	7.00	8.00
week ago	8¼	8$\frac{7}{16}$	8⅝	8⅝	9⅛	-	7.00	7.60
Netherlands	4.97	4.99	4.99	5.06	5.24	-	5.25	-
week ago	4.97	4.99	5.01	5.06	5.25	-	5.25	-
Switzerland	3⅞	4$\frac{1}{16}$	4⅛	4$\frac{7}{16}$	4$\frac{13}{16}$	6.625	3.50	-
week ago	4	4$\frac{1}{16}$	4$\frac{1}{16}$	4$\frac{7}{16}$	4⅝	6.625	3.50	-
US	4⅜	4$\frac{7}{16}$	4⅝	5¼	5$\frac{11}{16}$	-	3.50	-
week ago	4⅛	4$\frac{7}{16}$	4⅝	4$\frac{15}{16}$	5⅜	-	3.50	-
Japan	2$\frac{1}{16}$	2$\frac{1}{16}$	2⅛	2⅛	2$\frac{3}{16}$	-	1.75	-
week ago	2$\frac{1}{16}$	2⅛	2⅛	2⅛	2⅜	-	1.75	-
■ S LIBOR FT London								
Interbank Fixing	-	4⅝	4$\frac{15}{16}$	5⅛	5$\frac{11}{16}$	-	-	-
week ago	-	4⅝	4$\frac{11}{16}$	5	5⅝	-	-	-
US Dollar CDs	-	4.45	4.74	5.04	5.61	-	-	-
week ago	-	4.45	4.42	4.75	5.34	-	-	-
SDR Linked Ds	-	3½	3⅜	3¾	4	-	-	-
week ago	-	3½	3⅜	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5$\frac{13}{16}$; 3 mths: 5⅞; 6 mths: 6 ; 1 year: 6¼. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

■ [heading illegible]

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.64	94.64	-	94.68	94.63	96,674	447,851
Dec	93.94	93.95	-	93.99	93.93	136,042	413,444
Mar	93.67	93.66	-	93.71	93.65	84,679	308,324

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.13	95.12	+0.01	95.13	95.10	2,179	21,697
Dec	94.56	94.53	-0.01	94.58	94.53	546	8,849
Mar	-	94.24	-0.01	94.27	94.23	454	1,296

All Open interest figs. are for previous day

UK GILTS PRICES

BANK RETURN

BANKING DEPARTMENT	Wednesday June 29, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,144,735,375	+260,162,574
Bankers deposits	1,596,643,403	+35,562,099
Reserve and other accounts	2,867,532,551	+2,282,418
	5,623,464,329	+318,007,091
Assets		
Government securities	1,042,793,708	+20,490,000
Advance and other accounts	2,667,046,696	+442,839,027
Premise, equipment and other secs	1,902,137,794	-146,892,268
Notes	11,306,020	+1,577,128
Coin	180,111	-6,796
	5,623,464,329	+318,007,091
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	17,938,693,980	+128,422,872
Notes in Banking Department	11,306,020	+1,577,128
	17,950,000,000	+130,000,000
Assets		
Government debt	11,015,100	
Other Government securities	15,222,171,231	-1,481,818,821
Other Securities	2,716,813,669	+1,611,818,821
	17,950,000,000	+130,000,000

LONDON RECENT ISSUES: EQUITIES

STOCK INDICES

	Jul 1	Jun 30	Jun 29	Jun 28	Jun 27	1994 High	1994 Low	Since comp. High	Since comp. Low
FT-SE 100	2936.4	2919.2	2899.9	2909.0	2948.3	3520.3	2876.6	3520.3	986.9
FT-SE Mid 250	3415.8	3414.1	3415.2	3384.2	3383.4	4152.8	3363.4	4152.8	1379.4
FT-SE Mid 250 ex ITs	3418.8	3373.8	3415.2	3381.8	3382.4	4160.7	3362.4	4160.7	1378.3
FT-SE-A 350	1478.7	1471.8	1482.4	1484.9	1459.3	1778.3	1451.3	1778.3	684.5
FT-SE SmallCap	1777.85	1780.84	1782.55	1785.14	1784.95	2094.99	1780.84	2094.99	1363.79
FT-SE SmallCap ex ITs	1766.63	1760.19	1761.89	1765.73	1768.03	2080.72	1760.19	2080.72	1363.79
FT-SE-A All-Share	1469.48	1463.35	1473.24	1457.25	1452.08	1764.11	1445.85	1764.11	61.92

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

FT GOLD MINES INDEX

RIGHTS OFFERS

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£27¼	—	Q375c	1.9	Oct Apr	3'93	–
Barlow	Z	£4½xd	–2.6	Q18c	–	Jul	20.6	–
Gold Flds Prop R		100	–5.7	Q30c	1.2	–	31.1	–
KK Props	§	86	—	Q44.7c	0.3	Feb Oct	19.10	–
SASOL	♦	328	–4.9	Q78c	–	Oct	23.9	3919
SA Brews		£11⅝xd	–8.5	Q185c	2.2	Dec Jun	30.5	–
Tiger Oats	†	613xd	–6.6	Q95c	2.9	Jul Feb	6.6	–
Tongaat-Hulett		869xc	–5.5	Q65c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses *but including estimated extent of offsettable ACT. Market Capitalisations are* published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IIMR "Headline Earnings" P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: CAMAS (Bldg Mtls & Mer), Denby (Hse Goods), Cassell and Chime Cmncts (Media), Stirling Res (Oil Explrn) and CLS (Prop). Deletions: Guardian Grp (Bldg & Cnstrn), Williams 5½pc Prf (Dvrsd Inds), Wilkes (J) (Eng), Hogg Grp (Insce), Aberforth Split Level C and For & Col Pacific Wrts (Inv Tst) and *Southern Radio* (Media).

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with [illegible]. Please quote the code FT4849. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

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An international service is available for callers outside the UK, annual subscription £250 stg.
Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close July 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	13½	AAR	0.48	3.6	450	107	13½	d13⅛	13½	
16⅞	13	A L Labs A x	0.18	1.3	31	65	13⅞	13¾	13¾	
69½	57⅞	AMP	1.68	2.4	24	4815	u69⅞	69	69	-⅛
72¾	52⅛	AMR			30	4540	60¼	59⅛	59¾	+⅜
5	3⅝	ARX			12	395	4	3¾	3¾	-¼
58⅛	38⅝	ASA	2.00	4.4	30	453	45⅞	45	45⅝	+¼
31⅞	25⅛	AbbtL	0.76	2.6	17	20411	29¼	28⅞	29	
13¾	11⅛	Abitibi Pr	0.50	4.2	6	13	12	12	12	+⅛
23⅝	17¾	ABM Ind	0.52	2.6		291	20¼	19¾	20⅛	-⅛
13¾	11⅛	Acptnceln			24	58	13⅜	13⅜	13⅜	-¼
31	23¾	ACE Ltd	0.44	1.8	4	197	24⅝	24½	24½	-⅛
12½	10⅛	ACM Gvt In x	1.09	9.8		798	11⅛	10⅞	11⅛	+¼
10⅛	7⅞	ACM GvOpp	0.80	9.6		33	8⅜	8¼	8¼	-⅛
10⅝	8⅛	ACM Gvt Sp	0.96	11.5		84	8⅝	8¼	8⅜	+⅛
12	9⅛	ACM Gvt Sc	1.09	11.2		274	9¾	9⅝	9¾	+⅛
11¾	8¾	ACM Man	1.06	11.4		310	9½	9⅜	9½	
9¾	8	ACM Managd	0.72	8.7		188	8⅝	8¼	8¼	-⅛
16½	8¾	AcmeClv	0.44	4.0	13	206	11⅛	10½	11	+⅝
9¾	6½	Acme Elect			8	46	8½	8⅜	8½	
28¾	23	Acordia	0.60	2.1	14	8	28	27⅞	28	+¼
9⅜	5¾	Action	0.36	4.1	2	87	8¾	8⅝	8¾	+⅛
15⅝	11¼	Acuson			101	98	13⅜	13⅛	13¼	+⅛
19⅞	16½	Adams Expr	0.48	2.8	0	186	17¼	17⅛	17⅛	
64	48½	Adv Micro	3.00	5.5		489	54¼	52	54¼	+1

Continued on next page

NYSE COMPOSITE PRICES

4 pm close July 1

Continued from previous page

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
27	19¾	Safeway			24	778	24	23¾	24	+⅛
6⅜	4⅝	SafewayW96				5	5½	5½	5½	-⅛
57⅞	47⅝	StJoePaper x	0.20	0.4	260	38	49⅝	49¼	49½	-¼
30¼	26½	StJoeLAP	1.80	6.7	13	15	26¾	26¼	26¾	
45	37¼	StPaul	1.50	3.7	4	3178	40⅝	40¼	40⅜	+¼
9⅜	6	Salant Crp			8	10	7	6⅞	7	
40⅞	35¼	Sallie Mae	1.40	3.9	7	4431	36⅛	d35½	35⅝	-⅜
13⅞	11⅞	Salomon Br	0.28	2.3		328	12⅜	12¼	12⅜	+¼
52¾	44¾	Salomon	0.64	1.3	6	2980	47¾	47½	47¾	
25	17½	SnDgGE	1.52	8.1	10	1089	18¾	18⅝	18¾	+¼
10	7½	SantaFeEn x	0.16	1.7	8	1015	9½	9¼	9½	+⅛
16¾	13¾	SFeEnt				488	13⅞	d13¾	13¾	-⅛
40	31½	SantaFePac	2.80	8.0	16	38	35	34⅝	34⅞	+¼
26¾	19¾	SanFeP	0.10	0.5	11	5822	21¼	20⅞	20⅞	
26	20¼	SaraLee	0.64	3.1	14	12007	21¼	20⅝	20⅝	-⅝
50⅛	42⅛	Scana Corp	2.82	6.6	11	213	43	42¾	43	+⅛
20½	12⅝	Scecp x	1.00	7.9	8	7850	12⅞	d12⅝	12⅝	-¼
40½	31¾	SchererRP			25	448	32⅞	32⅝	32⅞	-⅛
69⅝	54½	SchPl	2.04	3.3	14	4023	62⅜	61¼	62¼	+1
61½	50¾	Schlmb	1.20	2.0	25	5106	60¼	59⅛	60¼	+1⅛
33⅞	24¾	Schwab(C)	0.28	1.1	11	8378	26	d24⅝	25	+¼
10¾	6⅛	ScheitCar			20	144	7¾	7¼	7¼	-⅛
38⅜	24⅞	SciAtl	0.12	0.4	68	281	34⅝	34⅛	34⅛	-¼
16⅞	13⅛	Scotsman x	0.10	0.8	12	55	13¾	d13	13¾	-⅛
53¾	37¼	ScottP	0.80	1.5	13	3443	52⅝	52	52⅝	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close July 1

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Penn	0.80	45	3	11	11	11	
Pet Ht&P	1.64	10	21	19	d18½	18½	
Phil LD	0.24	16	951	59⅝	59	59	
Pittway A	0.50	18	54	34¾	34⅝	34¾	
Ply Gem	0.12	26	413	20⅝	20	20	-⅝
PMC x	0.92	17	572	17⅛	15⅝	15⅝	-1¾
PresidioA	0.10	1	22	1⅛	1⅛	1⅛	-1/16
RaganBrad		31	36	29¾	29¼	29¾	
RB&W Cp		3	20	6¼	6¼	6¼	-¼
RiedelEnv		0	z100	1⅜	1⅜	1⅜	
SJW Corp	2.10	9	26	35⅞	d35½	35⅞	
StanHolon		16	119	17¾	17½	17¾	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

4 pm close July 1

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT GUIDE TO THE WEEK

4 MONDAY

Li Peng's trip on the Rhine

Li Peng, the Chinese prime minister (left), will attend a joint Chinese-German economic conference in Bonn with Chancellor Helmut Kohl, at the start of a week-long visit to the federal republic, including trips to east Germany and Bavaria, and a boat trip down the Rhine.

Caricom summit: Leaders of the Caribbean Community (Caricom) hold their annual summit in Barbados (to July 7). There is growing concern at the economic impact on their small economies of the North American Free Trade Agreement (Nafta).

Some members, led by Guyana, Jamaica and Trinidad and Tobago, are hoping to be listed by the US administration as eligible for Nafta membership. But the issue appears to be splitting the 20 year-old community, as other members think that all Caricom members, should seek links with Nafta.

French President François Mitterrand launches a French trade and diplomatic initiative in South Africa, starting with talks in Cape Town with Nelson Mandela. His visit is the first by a western head of government since Mandela's inauguration as president. Mitterrand, accompanied by over 100 officials, businessmen and journalists, will also become the first foreign leader to address the South African parliament for over 30 years.

UK economy: The release of June's M0 data, will be watched for signs of inflationary pressures. The Bank of England's favoured inflation target, M0 has been growing well outside the government's target band of 0-4 per cent in recent months. Markets expect today's figure to show a slowdown, with the annual rate of growth predicted at 6.6 per cent in June, compared with 7.1 per cent in May.

UK building societies: The Treasury is expected to reveal some time this week the results of a review of building society law which it announced earlier this year. Interest in any relaxation of merger and takeover rules for societies has been sharpened by Lloyds Bank's £1.8bn ($2.73bn) cash bid for Cheltenham & Gloucester Building Society.

Holidays: US (Independence Day).

5 TUESDAY

Delors pays a visit to Bonn

Jacques Delors and the European Commission visit Bonn for a joint session with the German cabinet, marking the start of Germany's six-month presidency of the European Union.

At the top of the European Union's in-tray is the question of the successor to Mr Delors. It is hoped a candidate acceptable to all will emerge at the emergency summit called on July 15.

Bosnia: Foreign ministers of the US, Russia, Britain, France and Germany are expected to confer in Geneva over ways to implement their newly formulated partition plan for Bosnia by putting pressure on the warring parties. The map has already been criticised by Serbs and Moslems, but international negotiators are describing it as the last chance to avoid all-out war.

Puffing into the sunset:

The last set of accounts for British Rail as a nationalised organisation, for the year to March 1994, appear today. BR, which spent 45 years under government ownership, was formally privatised on April 1, though it will take another two to three years to put the programme into effect. The latest figures are expected to show some success in holding down costs, leading to a drop in the level of government subsidy.

Federal Reserve governors and regional presidents meet today and tommorrow to discuss US monetary policy. Many analysts expect the Fed to react to dollar weakness and signs of domestic economic strength by raising interest rates again, either after the meeting or following key employment figures on Friday.

Full team ahead: Britain's Trades Union Congress, the umbrella for organised labour, stages a one-day conference in London to discuss full employment. It is being held to mark the 50th anniversary of the Churchill wartime coalition government's landmark White Paper on the subject.

TUC general secretary John Monks wants to see a renewed national commitment to the idea of full employment.

Tokyo's District Court is due to hold the first hearing in the case of former Liberal Democratic construction minister Kishiro Nakamura. He is charged with taking a Y10m ($100,000) bribe from Kajima, a construction company.

FT Survey: Marmara Region of Turkey.

Holidays: Algeria, Venezuela (Independence Day).

6 WEDNESDAY

Clinton goes to Latvia

President Bill Clinton holds talks with the leaders of all three Baltic republics on ways to promote economic reform and prospects for trade and investment.

US officials say the trip is a "highly symbolic" affirmation of the US's commitment to the independence of the Baltic countries. Clinton will meet Latvian president Guntis Ulmanis, and will then be joined by Estonian President Lennart Meri and Lithuanian President Algirdas Brazauskas.

Peace prize: Israel's prime minister Yitzhak Rabin, foreign minister Shimon Peres and Palestine Liberation Organisation chairman Yassir Arafat are due to be awarded the 1993 Felix Houphouet-Boigny Peace Prize at Unesco headquarters in Paris.

German unemployment statistics for June are released. They should see a further seasonal reduction in unemployment, although the underlying trend remains negative.

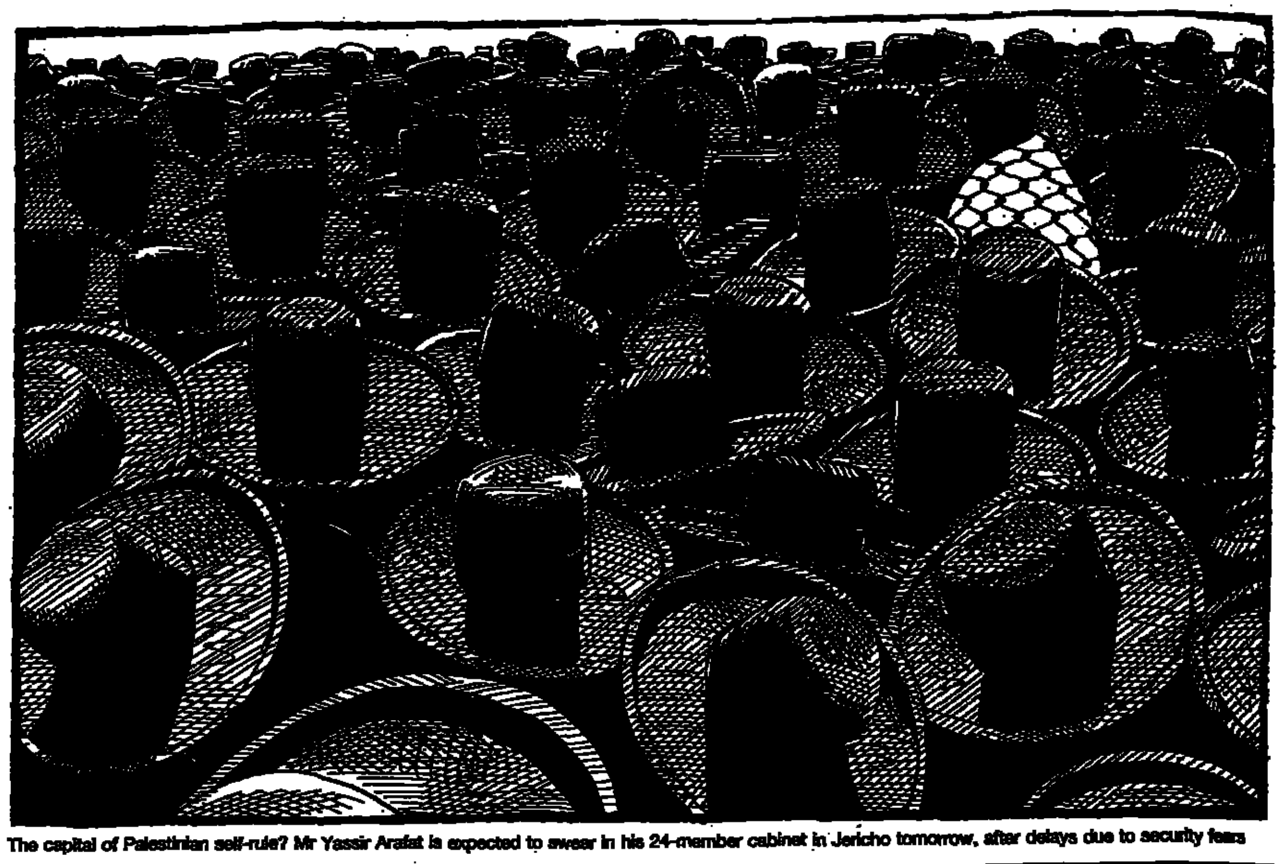
UK economy: May's output figures are expected to provide further evidence that the UK recovery is spreading into the industrial sector. The consensus is that industrial production and manufacturing output will rise 0.2 per cent on the month, after surging unexpectedly in April. Measured on a yearly basis, manufacturing output is expected to be 1.6 per cent higher than last May.

Pay talks will be held in London for 1.5m local government workers. This will be a key test for the UK government's public sector pay bill freeze.

Saleroom: Sotheby's in London this morning is offering The Immaculate Conception by Velásquez (detail below) in its auction of Old Masters. The attribution of this previously unknown painting has divided the experts, but Sotheby's is confident enough that it is by the Spanish 17th century artist to put a £6m estimate upon it.

Also today, Christie's in London is auctioning a 3,000-year-old Assyrian sculpture, discovered painted-over in the tuck shop of a school in Dorset. It is the missing piece of a bas-relief from the palace of Ashurnasirpal II (883-859 BC) and may fetch £1m.

Golf: The Scottish Open begins at Gleneagles (to July 9).



The capital of Palestinian self-rule? Mr Yassir Arafat is expected to swear in his 24-member cabinet in Jericho tomorrow, after delays due to security fears

7 THURSDAY

Scott inquiry resumes

Lord Justice Scott's inquiry about illegal exports of British arms to Iraq resumes briefly in public in London to hear evidence from Paul Henderson, former managing director of Matrix Churchill, the machine tools manufacturer. He has asked for a hearing in public to respond to allegations made against him by the former trade and defence minister Lord Trefgarne at an earlier oral hearing. The Scott inquiry report is due to be published at the end of the year.

South Africa's vice-president, F.W. De Klerk, begins an official visit to Germany, his first since the transition to majority rule in South Africa and the election of Nelson Mandela.

Germany's Bundesbank holds its regular fortnightly council meeting, although no significant moves on interest rates are expected at the moment.

Faroese election: Inhabitants of the Faroe islands, a self-governing province of Denmark, vote for their parliament, the Lagting. The poll, which comes in the midst of an economic crisis, was called when the sitting coalition government of the Social Democratic Party, the Republican Party and the Home Rule Party, lost its majority in May.

Pamplona Bull Run: A group of bulls are released to run through the narrow streets of the Spanish town, with the foolhardy racing ahead.

8 FRIDAY

G7 descends on Naples

Leaders of the Group of Seven big industrialised nations gather in Naples for their annual economic summit. Recent turbulence on financial markets will colour Saturday's discussions on the world economy, although the meeting is scheduled to focus on how to reduce persistently high unemployment.

North Korea and the US begin high-level talks in Geneva in an attempt to resolve the dispute over Pyongyang's nuclear programme. The US is expected to offer some form of diplomatic recognition and economic aid in return for North Korea allowing full international inspections of its nuclear facilities.

Mad cows and Englishmen: Germany's Bundesrat, the upper house of parliament, is due to vote on whether to approve the government's proposed six-month ban on British beef because of mad cow disease BSE.

Stonehenge – The Great Debate: The monument's future is discussed by international experts at the Queen Elizabeth II Conference Centre. Transport minister Steven Norris, will face several learned professors in road economics and engineering, including world experts in engineering tunnels. Backed by English Heritage they are arguing for an ambitious road tunnel beneath the Stonehenge stones while the government is proposing a cheaper by-pass.

9-10 WEEKEND

Ukrainian election run-off

Sunday sees the run-off round of the Ukrainian presidential election. The top two contenders are President Leonid Kravchuk and Leonid Kuchma. In the first round, the incumbent, popular with west-Ukrainian nationalists, had 38 per cent of the vote to the 31 per cent of the eastern missile plant manager, who is urging friendlier ties with Russia.

Public Services Day is celebrated in the UK on Saturday by the main trade union grouping, the TUC. It is organising marches and rallies in protest at the government's public sector pay bill freeze. Among other events, public sector workers will swell the ranks at the traditional Durham Miner's Gala.

The fragile truce between Bosnia's warring parties is expected to be extended following its expiry on July 9.

Cricket: Warwickshire play Worcestershire in the final of the English county knock-out cup at the Lord's ground in London.

US president Bill Clinton arrives in Germany on Sunday, for his first official visit following the G7 summit. He will be spending Monday in Bonn and Tuesday in Berlin, before flying on to Warsaw.

Compiled by Patrick Stiles and Robert Anderson. Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Monday: As the world's leaders prepare for the G7 meeting on Friday, they can mull over a *feast of policy meetings and* statistics this week.

In Tokyo, the Bank of Japan's branch managers meet today. Meanwhile, May's trade figures are expected to show a small fall in the Japanese trade surplus – though analysts doubt that this will provide much support for the dollar against the yen.

Tuesday: After French unemployment hit a record high last week, output figures today should be more comforting for the government. Analysts expect to see a small monthly rise, suggesting the recession has bottomed out. Meanwhile, German manufacturing figures, expected today or tomorrow, are likely to also point to a slow industrial pick-up, ahead of the Bundesbank's council meeting on Thursday.

Friday: A spate of US data at the end of the week will be watched with interest by the markets in light of any decision that the FOMC may have taken on Tuesday to raise US interest rates. June's non-farm payroll is expected to show a strong 250,000 rise on the month, while May's consumer credit is expected to fall.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	May current a/c, IMF	$9bn	$14bn
July 4	Japan	May trade balance, IMF	-	$13.2bn
	Japan	May foreign bond investment	-	$125bn
	UK	June official reserves	250m	225m
	UK	May credit business	2350m	2413m
	UK	June M0*	-0.1%	0.2%
	UK	June M0**	6.6%	7.1%
Tues	US	Johnson Redbook, w/e July 2	-	3.6%
July 5	Japan	June trade balance, 1st 10 days	-	$872m
	France	Apr indust production*†	0.4%	0.2%
	France	Apr manufacturing production*†	0.4%	0.9%
	UK	May housing starts	-	16,500
	Aus'lia	May retail trade†	1.2%	-3.7%
Wed	US	May home completions.	-	1.36m
July 6	US	June domestic auto sales	7m	7m
	US	June domestic light truck sales	5.4m	5.5m
	Germany	June unemployment rate, West†	10,000	9,000
	Germany	May employment rate, West†	-12,000	-18,000
	Germany	June vacancies, West	-	-7,000
	Germany	June short-time, West	-	-42,000
	Germany	June unemployment rate, East	-20,000	-67,000
	UK	May manufacturing output*	0.2%	1.1%
	UK	May manufacturing output**	1.6%	-3%
	UK	May industrial production*	0.2%	1.6%
	Canada	June foreign reserves – change	-C$475m	C$384m
Thur	US	Initial claims, w/e July 2	350,000	353,000
July 7	US	State benefits, w/e June 25	-	2.78m
	US	May wholesale trade		1.2%
	US	M1, w/e June 27	$2.5bn	$4bn
	US	Ditto M2	$4bn	-$1.8bn
	US	Ditto M3	$.9bn	$3bn
	Canada	June help wanted index	95	95
	Aus'lia	June unemployment rate†	9.9%	9.8%
	Aus'lia	June employment rate†	15,000	30,500
Fri	US	June non-farm payrolls	242,000	191,000
July 8	US	June manufacturing payrolls	12,000	-2,000
	US	June hourly earnings	0.2%	0.5%
	US	June average workweek	-	34.9
	US	Unemployment rate, civilian	6.2%	6%
	US	May consumer credit	$6bn	$8.9bn
	UK	Apr visible trade global	-£1bn	-£1.2bn
	Canada	June unemployment rate	10.9%	10.7%
During the week				
	Germany	May manufacturing orders*	0.5%	0.6%
	Germany	May final M3	-	15.4%
	Germany	June cost of living, final*	-	0.2%
	Germany	June cost of living, final**	-	3%
	France	May M3*	0.3%	0.5%
	Spain	May current a/c	-	Pta222.4bn

*month on month. **year on year. †seasonally adjusted. Statistics, courtesy MMS International.

MONDAY PRIZE CROSSWORD

No.8,496 Set by CINEPHILE

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday July 14, marked Monday Crossword 8,496 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday July 18.

Name..

Address..

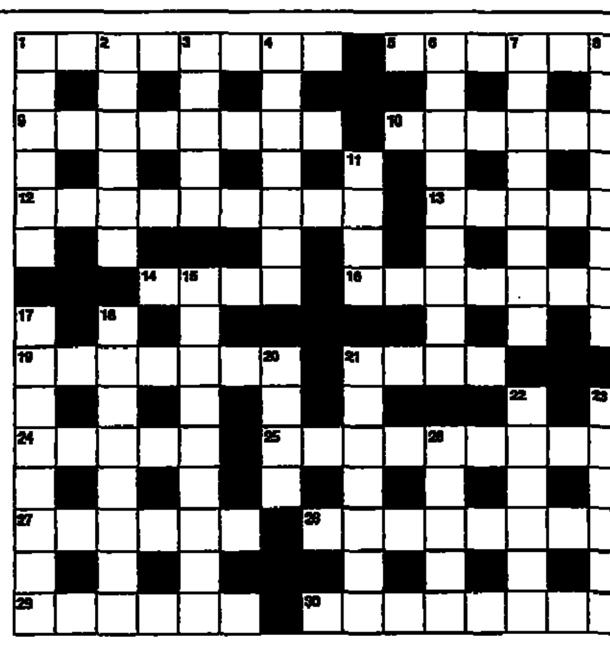
....

ACROSS

1 Producer of teas got up refuge for birds (8)
5 Sort of egg, not bird's – unless it's a woodcock? (6)
9 Bird with red hat has points (8)
10 Bird with no tail, one with a lot of heads, perhaps (6)
12 Soccer war designed to repel birds (9)
13 Southern printer's bird in Virgo (5)
14, 19 Bird showing white flags? (4,7)
16, 11 Scottish dances include Chinese food for noisy birds (7,4)
19 See 14
21 See 4
24 Heart of bird taking his turn with sort of bull (5)
25 Have fun with a bird at a fight (4,5)
27 Ringo's turned carnivore (6)
28 Gaps in north-west give measure of bird (4-4)
29 Leave bird's tail on new trees (6)
30 China broken by little birds (8)

DOWN

1 Place for nest in holiday time? (6)
2 What some birds utter is very funny (6)
3 Bird turns east, going to the altar? (5)
4, 21 across Bird or birds fight traffic noise first (7-4)
6 Barks – sounded like birds – to move in a spiral (9)
7 Schemes benefiting survivors moving into nest (8)
8 Indian chief, one entering fruit, a bad hat (8)
11 See 16
15 Tailless bird, enough trouble next door (9)
17 Old bird, mixed up inside, is shortened (8)
18 Bird I must have seen turned round by people or things (8)
20 See 21
21 Bird with her nuptial symbol, an old sucker (7,4)
22 A brace of lovebirds? (6)
23 A weight on a plate with no particular key (6)
26 Sugar producer eyed giant or bird (5)



Winners 8,484

Mrs S. Argyle, Oxford
R. Bayliff, Edinburgh
J.S. Beverly, Epping, Essex
J. Craig, New Malden, Surrey
Mrs V. Harman, Brighton, Sussex
B.R. Lawrence, Frettenham, Norwich

Solution 8,484

C	E	N	T	R	E		C	O	U	R	T	I	N	G
H		E		E				C		O		C		L
A	G	A	S	S	I		N	E	G	A	T	I	V	E
M		T		T		T		A		R		C		A
P	E	E	L		G	R	A	N	D		S	L	A	M
I		N		C		A		S		P		E		S
O	P	E	N	H	A	N	D	E	D	L	Y			
N		D		A		S		L		A		I		E
			S	I	N	G	L	E	M	I	N	D	E	D
G		G		R		R		V		D		O		U
R	E	A	D		R	E	V	E	L		B	L	O	C
A		Z		P		S		N		M		A		A
S	E	E	D	L	E	S	S		S	E	X	T	E	T
S		B		E		O				S		E		E
Y	E	O	M	A	N	R	Y		S	H	A	R	E	D